

TOWN OF WATERFORD
GENERAL FUND
2025-2026 PROPOSED BUDGET

DEPT/AGENCY: 10113 ECONOMIC DEVELOPMENT COMM.

LINE ITEM	DESCRIPTION	2023-2024 ACTUAL EXPENDED	2024-2025 RTM APPROP.	2024-2025 ADDITIONAL/ TRANSFERS	ACTUAL EXPEND & ENCUMB AS OF 1/1/25	2025-2026 DEPT/ AGENCY REQUEST	2025-2026 APPROVED BD/COMM	2025-2026 BD OF SELECTMEN APPROVED	2025-2026 BOARD OF FINANCE APPROVED	BOF Approved \$ Increase	BOF Approved % Increase
SERVICES											
52010	ADVERTISING	0	500		0	500	500	500	500	0	0.00%
52020	POSTAGE	0	0		7	1,000	1,000	1,000	1,000	1,000	100.00%
52030	PROFESSIONAL FEES	17,000	8,000		0	11,800	11,800	11,800	11,800	3,800	47.50%
52050	DUES, CONF. & EDUC.	9,144	16,467		9,153	11,752	11,752	11,752	11,752	(4,715)	-28.63%
52060	PRINTING	0	200		31	200	200	200	200	0	0.00%
52070	REIMBURSABLE EXPENSES	177	100		0	100	100	100	100	0	0.00%
	SUBTOTAL	26,321	25,267	0	9,191	25,352	25,352	25,352	25,352	85	0.34%
MATERIALS & SUPPLIES											
53010	OFFICE SUPPLIES	0	0	0	0	0	0	0	0	0	0.00%
	SUBTOTAL	0	0	0	0	0	0	0	0	0	0.00%
	DEPARTMENT TOTAL	26,321	25,267	0	9,191	25,352	25,352	25,352	25,352	85	0.34%

TOWN OF WATERFORD
FY2026 BUDGET REQUEST
DEPARTMENT: Economic Development Commission



BUDGET FUNCTION

The Economic Development Commission's purpose is to support and grow Waterford's economy. The Commission is empowered by Town Ordinance and State Statutes to serve as a platform to coordinate activities and groups that work in support of economic development. Broad responsibilities the Commission may undertake include market analysis, business recruitment and retention, marketing the Town, and recommending actions that the Town can take to meet its development goals.

The proposed FY26 EDC budget reflects a .3% increase from FY25. The Commission voted to continue to ensure that it has the resources to better support Waterford's economic development efforts. Key elements of the budget request include the need for consultant to work with the Commission on engagement with the business community, effective marketing, and targeted networking.

MEMBERS

Edward Lusher, Chair
Guy Russo
James Nicholas
Michael Buscetto III
Kathleen Mullen – Kohl

ALTERNATES

Julie Greco
Scott Gladstone

TOWN OF WATERFORD FY2026 BUDGET REQUEST



DEPARTMENT: Economic Development Commission

BUDGET SUMMARY

ECONOMIC DEVELOPMENT: Proposed Fiscal Year 2026

SERVICES:

10113-52010-101-010-13-00-52 ADVERTISING	500
10113-52020-101-010-13-00-52 POSTAGE	1,000
10113-52030-101-010-13-00-52 PROFESSIONAL FEES	11,800
10113-52050-101-010-13-00-52 DUES, CONFERENCES & EDUCATION	11,752
10113-52060-101-010-13-00-52 PRINTING	200
10113-52070-101-010-13-00-52 REIMBURSABLE EXPENSES	100

TOTAL	25,352
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Advertising Line 10113-52010

\$500 Requested

The EDC will advertise via print, digital, and social media platforms. Advertisements for EDC sponsored events to aimed at helping local small businesses gain access to grants, loans and buisness advising services would be paid from this line.

Postage 10113-52030

\$1000 Requested

The EDC will pay for postage to advertise EDC sponsored events out of this line.

Professional Fees Line 10113-52030

\$11,800 Requested

The Town is looking to hire a consultant to act as a community liaison. The consultant would report to the Planning Director. Example of duties would include but would not be limited to; attendance at all Economic Development Commission meetings; coordination of EDC sponsored events; serve as primary contact with local businesses and economic agencies such as seCTer and the Chamber of Commerce; and maintenance of a Waterford small business database.

Dues, Conferences and Education Line 10113-52050

\$11,752 Requested

The EDC maintains membership with the Southeastern CT Enterprise Region (SeCTer) for the Town. SeCTer provides access to regional economic data and project support. The Commission also maintains memberships with professional organizations for the purposes of implementing and maintaining effective economic development programs. Members attend educational and networking events whenever possible.

TOWN OF WATERFORD FY2026 BUDGET REQUEST



DEPARTMENT: Economic Development Commission

Southeastern CT Enterprise Region (seCTer)\$ 8,932

SeCTer provides the Town with regional business information, regional promotion, and educational resources.

Chamber of Commerce of Southeastern CT\$ 220

Promotes local networking, facilitates communication & collaboration

Business meeting expenses, including shared costs of facilities and admission costs for economic events, meetings and seminars\$ 500

International Council of Shopping Centers (ICSC) Conference Attendance..... \$2,100

ICSC is a member organization supporting retail, dining, entertainment, and other marketplace industries. The organization provides industry insights and networking opportunities to support development initiatives. The Economic Development Commission recommends that two representatives from Waterford be funded to attend an International Council of Shopping Centers (ICSC) in New York to make connections and promote commercial development opportunities in Waterford to industry leaders.

Printing Line 10113-52060

\$200 Requested

This line will cover the cost of materials related to Economic Development Strategy implementation, such as drafts of graphic designs or similar items that will require Commission review.

Reimbursable Expenses Line 10113-52070

\$100 Requested

EDC members on occasion pay out of pocket for expenses associated with travel to seminars and business meetings. This line item provides for the reimbursement of funds expended by EDC members in providing services to the Town.

TOWN OF WATERFORD

FY2026 BUDGET REQUEST

DEPARTMENT: Economic Development Commission



Economic Development Commission 5 Year History of Expenditures

	FY2024 ORIGINAL BUDGET	FY2024 ACTUAL	FY2023 ORIGINAL BUDGET	FY2023 ACTUAL	FY2022 ORIGINAL BUDGET	FY2022 ACTUAL	FY2021 ORIGINAL BUDGET	FY2021 ACTUAL	FY2020 ORIGINAL BUDGET	FY2020 ACTUAL
ECONOMIC DEVELOPMENT COMMISSION										
SERVICES:										
10113-52010-101-010-13-00-52 ADVERTISING	500	-	1,000	-	425	-	425	-	425	-
10113-52020-101-010-13-00-52 POSTAGE	-	-	-	-	-	-	200	-	200	-
10113-52030-101-010-13-00-52 PROFESSIONAL FEES	15,000	17,000	16,000	7,500	1,500	1,372	-	-	-	-
10113-52050-101-010-13-00-52 DUES, CONFERENCES & EDUCATION	16,467	9,144	10,071	8,508	7,851	7,103	8,223	7,043	8,223	6,831
10113-52060-101-010-13-00-52 PRINTING	200	-	200	-	150	-	300	-	300	-
10113-52070-101-010-13-00-52 REIMBURSABLE EXPENSES	100	177	200	383	-	-	150	-	150	15
Total SERVICES	32,267	26,321	27,471	16,391	9,926	8,475	9,298	7,043	9,298	6,846

ECONOMIC DEVELOPMENT: Proposed Fiscal Year 2026**SERVICES:**

10113-52010-101-010-13-00-52 ADVERTISING	500
10113-52020-101-010-13-00-52 POSTAGE	1,000
10113-52030-101-010-13-00-52 PROFESSIONAL FEES	11,800
10113-52050-101-010-13-00-52 DUES, CONFERENCES & EDUCATION	11,752
10113-52060-101-010-13-00-52 PRINTING	200
10113-52070-101-010-13-00-52 REIMBURSABLE EXPENSES	100

TOTAL	25,352
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MINUTES
WATERFORD ECONOMIC DEVELOPMENT COMMISSION
November 14, 2024
WATERFORD TOWN HALL
5:00 PM

MEMBERS PRESENT: Kathleen Mullen-Kohl, Guy Russo
MEMBERS ABSENT: Edward Lusher, Michael Buscetto, James Nicholas
ALTERNATES PRESENT: Julie Greco
ALTERNATES ABSENT: Scott Gladstone
STAFF PRESENT: Jonathan E. Mullen, AICP, Planning Director, Mark Wujtewicz, Planner, Dawn Choisy, Recording Secretary

RECEIVED FOR RECORD
 WATERFORD, CT
 2024 NOV 21 A 1:17
 ATTEST: *[Signature]*
 TOWN CLERK

1. **CALL TO ORDER/APPOINTMENT OF ALTERNATES**
 G. Russo called the meeting to order at 5:00 and seated J. Greco.
2. **APPROVAL OF MINUTES – October 10, 2024**
MOTION: Motion made by K. Mullen-Kohl, seconded by J. Greco to approve the minutes of the September 12, 2024 meeting as written.
VOTE: 3-0
3. **UPDATE ON NEW AND EXISTING BUSINESSES**
 J. Mullen and M. Wujtewicz updated the Commission on grand openings for the storage facility on Hartford Turnpike and Cohen Optical in Waterford Commons. They also noted that the Town is waiting on information on the construction of the canopy for the gas station located at 118 Boston Post Road.
4. **NEW BUSINESS**
 - **Upcoming EDC Sponsored Events**
 J. Mullen stated that the Commission should think about what kind of small business events they would like to sponsor.
 - **FY23/24 Annual Report**
MOTION: Motion made by K. Mullen-Kohl, seconded by J. Greco, to approve the FY23/24 Annual Report as drafted.
VOTE: 3-0
 - **FY26 Budget**
MOTION: Motion made by K. Mullen-Kohl, seconded by J. Greco, to approve the FY26 Budget as drafted.
VOTE: 3-0
5. **OLD BUSINESS**
 - **Gateway Signage**
 J. Mullen stated that the First Selectman wants to explore other options.

MOTION: Motion made by J. Greco, seconded by K. Mullen-Kohl to add an update on the Crystal Mall to the agenda.

VOTE: 3-0

- **Mall Update**

J. Mullen updated the Commission on the Crystal Mall.

6. ADJOURNMENT

MOTION: Motion made by K. Mullen-Kohl, seconded by J. Greco, to adjourn the meeting at 5:42.

VOTE: 3-0



Southeastern Connecticut Enterprise Region seCTer

19-B Thames Street P.O. Box 867 • Groton, Connecticut 06340
860-437-4659 • Fax: 860-437-4662 • E-mail: seCTer@seCTer.org

December 17, 2024

First Selectman Brule
15 Rope Ferry Rd
Waterford 06385

Dear Mr. Robert Brule,

As you plan Waterford's 2025/2026 Municipal Budget, the Southeastern Connecticut Enterprise Region (seCTer) is submitting its annual request of **\$8,806.95** to provide regional economic development, commercial lending, procurement technical assistance, small business development, data and grant writing support. The requested funding rate is \$0.45 per capita. As of the 2020 U.S. Census, Waterford's population was 19517.

seCTer is the local, state and federally designated Economic Development Organization (EDO) for the Economic Development District (EDD) of southeastern Connecticut. seCTer catalyzes growth and prosperity throughout the EDD with a **mission** of making southeastern Connecticut stronger and more vibrant by 2030.

As a benefit to member municipalities such as Waterford, seCTer provides **services** to Waterford's residents, leaders, and existing and prospective businesses on an on-going basis. These services include but are not limited to: writing and implementing the five-year **Comprehensive Economic Development Strategy (CEDS)** for the region, securing funding for targeted businesses, assistance to businesses to procure government contracts, creating partnerships for businesses to capitalize on municipal and state incentives, providing small business development, delivering data and grant writing guidance, and site finding. seCTer is funded for these efforts, in part, by the U.S. Department of Commerce's Economic Development Administration (EDA).

The 2023 - 2028 CEDS was created by the region for the region and is approved by seCTer's Board of Directors, the Southeastern CT Council of Governments, CT Department of Economic and Community Development, and the US Economic Development Administration. The CEDS serves as an ambitious and accountable framework for sustained regional economic prosperity through collaboration and innovation. seCTer also created a digital CEDS that is a resource for all in the region. It is interactive with data that is updated when new releases become available, <https://secter.digitalceds.com/>. Please take a look!

seCTer's Non-Traditional Small Business Lending program supports small to mid-sized manufacturing, fabricating, biotech, agro-tech and similar businesses in the region with available capital in its Revolving Loan Funds (RLF). seCTer is pro-active in providing lending to businesses requiring financial aid, including start-ups, by seCTer directly and with lending partnerships. seCTer continues to work closely with the U.S. EDA, the U.S. Small Business Administration (SBA), and the State's Department of Economic and Community Development (DECD), to facilitate newly introduced loan and grant programs to small businesses in the region.

seCTerRise, a growth grant program for businesses in the region was launched this year providing, so far, \$988,696 in awards to sixty two businesses. Annually, for the next three years, seCTer will provide to businesses in the region up to \$500,000.00. It is more than likely a business in Waterford will access these funds.

seCTer also participates in the CT Small Business Boost Fund which provides low interest loans to existing businesses. Launched this year is the seCTerRise Program, which will provide seed and growth funding to businesses in the region. These funds will not be loans and are accompanied with technical assistance so that businesses have the resources needed to succeed.

seCTer's Connecticut APEX Accelerator (CT APEX) is a statewide program that has assisted thousands of Connecticut businesses to successfully prepare for and win local, state and federal government contracts. In its program year ending August 31, 2024, CT APEX served many companies throughout the region resulting in more than \$441 million in government contracts. CT APEX is funded by DECD and the U.S. Department of Defense. This program is especially vital towards helping our region's businesses take advantage of opportunities presented by the unprecedented growth in our local defense industry. CT APEX's services are provided at no charge.

seCTer is available to **assist in municipal grant applications** that forward economic development in the region, particularly those consistent with CEDS goals and action items, and issues letters of support to strengthen grant applications where appropriate. seCTer also provides data profiles for member municipalities which elevate grant proposals for a higher chance of success. This data presentation can be customized to the specific goals of the grant proposal.

Since seCTer's regional focus benefits all residents, seCTer will serve each of Waterford's residents. Municipal support continues to be particularly essential in maintaining seCTer's economic development programming and **leverages federal funding**. Sustaining Waterford's financial contribution of \$8,806.95 and is critical in developing and expanding assistance to economic development officials and volunteers throughout the region, including Waterford.

seCTer's Fiscal Year 2024 **Annual Report** is available on our website at www.seCTer.org.

seCTer's staff and board of directors **welcome your participation** in all of seCTer's programs, and are similarly eager to support your programming and initiatives wherever appropriate. Staff will engage with, and offer assistance to, municipal members and industry associations with leadership in new initiatives, market research, small business development, funding, site selection and other economic development activities. We are available to discuss our programs in person or virtually with your municipal leaders, city commissions or finance board, and invite you to call us to arrange for a meeting with any or all of these groups. We appreciate your past and continued support and thank you for your assistance in furthering this vital public-private partnership.

Sincerely,



Paul Whitescarver
Executive Director
pwhitescarver@secter.org
(860) 437-4659 X201

**SOUTHEASTERN
CONNECTICUT ENTERPRISE
REGION CORPORATION**

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2023**

**TOGETHER WITH
INDEPENDENT AUDITORS' REPORT,
FEDERAL SINGLE AUDIT REPORTS
AND
STATE SINGLE AUDIT REPORTS**



**HOYT
FILIPPETTI &
MALAGHAN LLC**

CERTIFIED PUBLIC ACCOUNTANTS

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
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JUNE 30, 2023**

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REGION CORPORATION
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JUNE 30, 2023**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Southeastern Connecticut Enterprise Region Corporation
Groton, Connecticut

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Southeastern Connecticut Enterprise Region Corporation (seCTer), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of seCTer as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of seCTer and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, seCTer changed its method of accounting for leases due to the adoption of Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about seCTer's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 seCTer's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about seCTer's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state financial assistance, 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 *State Single Audit Act*, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited seCTer's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 2, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 13, 2023, on our consideration of seCTer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of seCTer's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering seCTer's internal control over financial reporting and compliance.

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut
November 13, 2023

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(With Summarized Financial Information for 2022)**

ASSETS

	2023	2022
Cash	\$ 608,601	\$ 139,552
Grants receivable	244,727	159,958
Accounts receivable	55,532	214,569
Prepaid expenses	7,394	10,405
Restricted cash and certificate of deposit	3,980,685	4,063,114
Loans receivable, less allowance for doubtful loans	3,742,026	4,082,350
Property and equipment, net	4,477	5,577
Operating lease, right-of-use asset, net	67,577	-
Total assets	<u>\$ 8,711,019</u>	<u>\$ 8,675,525</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Operating lease liability	\$ 67,577	\$ -
Accounts payable	34,742	24,446
Accrued expenses	26,502	28,943
Due to Connecticut - small business lending partner program	5,152	157
Due to Connecticut - small business express program	45,415	66,991
Deferred grant revenue	521,577	139,145
Total liabilities	<u>700,965</u>	<u>259,682</u>

NET ASSETS

Without donor restrictions	287,343	270,379
With donor restrictions	7,722,711	8,145,464
Total net assets	<u>8,010,054</u>	<u>8,415,843</u>
Total liabilities and net assets	<u>\$ 8,711,019</u>	<u>\$ 8,675,525</u>

The accompanying notes are an integral part of these financial statements.

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(With Summarized Financial Information for 2022)**

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grant revenue	\$ 1,333,648	\$ -	\$ 1,333,648	\$ 2,073,629
Contributions	145,900	-	145,900	100,623
Contributed nonfinancial assets	30,125	-	30,125	30,712
Interest income	137,298	81,454	218,752	210,734
Program fees	49,731	2,383	52,114	26,643
Investment income	75,368	-	75,368	1,152
Loan allowances	(62,199)	(458,514)	(520,713)	(133,130)
Net assets released from restrictions:				
Satisfaction of purpose restrictions	48,076	(48,076)	-	-
Total support and revenue	<u>1,757,947</u>	<u>(422,753)</u>	<u>1,335,194</u>	<u>2,310,363</u>
EXPENSES				
Program services				
Loan programs	143,049	-	143,049	138,390
Comprehensive economic development strategy	639,909	-	639,909	541,690
Procurement technical assistance center	824,302	-	824,302	837,342
Total program services	<u>1,607,260</u>	<u>-</u>	<u>1,607,260</u>	<u>1,517,422</u>
Supporting services				
Management and general	133,723	-	133,723	49,409
Total expenses	<u>1,740,983</u>	<u>-</u>	<u>1,740,983</u>	<u>1,566,831</u>
Change in net assets	16,964	(422,753)	(405,789)	743,532
NET ASSETS, beginning of year	<u>270,379</u>	<u>8,145,464</u>	<u>8,415,843</u>	<u>7,672,311</u>
NET ASSETS, end of year	<u>\$ 287,343</u>	<u>\$ 7,722,711</u>	<u>\$ 8,010,054</u>	<u>\$ 8,415,843</u>

The accompanying notes are an integral part of these financial statements.

SOUTHEASTERN CONNECTICUT ENTERPRISE REGION CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(With Summarized Financial Information for 2022)

	2023					
	PROGRAM SERVICES					Total 2022
	Loan Programs	Comprehensive economic development strategy	Procurement technical assistance center	Total	Management and general	
Salaries	\$ 38,012	\$ 236,791	\$ 413,211	\$ 688,014	\$ 149,247	\$ 877,156
Payroll taxes and benefits	12,823	57,398	97,148	167,369	39,931	212,084
Total payroll related costs	50,835	294,189	510,359	855,383	189,178	1,089,240
Travel	361	5,755	32,115	38,231	-	32,347
Office expense and supplies	331	4,504	8,225	13,060	6,037	61,562
Subscription services	-	12,994	22,299	35,293	-	11,500
Contracted services	55,417	188,642	14,842	258,901	54,828	154,423
Grant subrecipients	-	57,280	-	57,280	-	-
Dues and membership	-	8,988	10,539	19,527	5,994	19,327
Insurance	-	-	-	-	9,751	4,817
Marketing	-	2,075	-	2,075	-	32,345
Miscellaneous	888	557	-	1,445	2,005	7,037
Occupancy	-	-	42,125	42,125	30,770	73,291
Collection expense	-	-	-	-	-	5,750
Professional fees	32,546	4,524	2,315	39,385	14,547	23,114
Training	350	3,260	35,730	39,340	2,363	20,073
Meeting expense	-	10,658	5,560	16,218	4,095	3,880
Loss on disposal of fixed assets	-	-	-	-	-	14,964
Repairs and maintenance	-	-	-	-	-	355
Telephone and internet	-	-	1,932	1,932	120	11,161
Indirect charges	2,321	46,483	138,261	187,065	(187,065)	-
Total expenses before depreciation	143,049	639,909	824,302	1,607,260	132,623	1,565,186
Depreciation	-	-	-	-	1,100	1,645
	\$ 143,049	\$ 639,909	\$ 824,302	\$ 1,607,260	\$ 133,723	\$ 1,566,831

The accompanying notes are an integral part of these financial statements.

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(With Summarized Financial Information for 2022)**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (405,789)	\$ 743,532
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Increase in allowance for doubtful loans	520,713	133,130
Amortization of right-to-use asset	36,048	-
Loss on disposal of fixed assets	-	14,964
Depreciation and amortization	1,100	1,645
Changes in operating assets and liabilities:		
Grants receivable	(84,769)	(117,214)
Accounts receivable	159,037	76,521
Prepaid expenses	3,011	3,498
Loans receivable	(180,389)	(101,309)
Operating lease liability	(36,048)	-
Accounts payable	10,296	11,581
Accrued expenses	(2,441)	(15,715)
Due to Connecticut - small business lending partner program	4,995	-
Due to Connecticut small business express program	(21,576)	(201)
Deferred grant revenue	382,432	89,145
Net cash provided by operating activities	<u>386,620</u>	<u>839,577</u>
NET INCREASE IN CASH, RESTRICTED CASH, AND CERTIFICATE OF DEPOSIT	386,620	839,577
CASH, RESTRICTED CASH, AND CERTIFICATE OF DEPOSIT, beginning of year	<u>4,202,666</u>	<u>3,363,089</u>
CASH, RESTRICTED CASH, AND CERTIFICATE OF DEPOSIT, end of year	<u><u>\$ 4,589,286</u></u>	<u><u>\$ 4,202,666</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash	\$ 608,601	\$ 139,552
Restricted cash and certificate of deposit	3,980,685	4,063,114
	<u><u>\$ 4,589,286</u></u>	<u><u>\$ 4,202,666</u></u>
NON CASH TRANSACTIONS		
Right-of-use asset obtained for new operating lease liability	\$ 103,625	\$ -

The accompanying notes are an integral part of these financial statements.

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE OF ORGANIZATION

Southeastern Connecticut Enterprise Region Corporation (seCTer) is a Connecticut non-stock corporation formed to stimulate and support economic development and diversification within Southeastern Connecticut by performing the following activities:

- Fostering a climate favorable for economic development and diversification.
- Supporting the retention and expansion of existing businesses and the startup of new businesses.
- Recruiting new businesses through a marketing program that promotes the region's resources and competitiveness.
- Coordinating economic development activities among the region's municipalities.
- Participating in efforts to meet the infrastructure needs of a growing regional economy.
- Defining and updating the region's economic goals and strategy.

SeCTer's primary sources of revenue are government grants, investment income, interest income from loans, and contributions.

PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION

The financial statements include certain prior year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with seCTer's audited financial statements as of and for the year ended June 30, 2022, from which the summarized information was derived. Certain reclassifications have been made to the 2022 amounts in order to conform to the 2023 presentation.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

CASH EQUIVALENTS

For purposes of the statement of cash flows, seCTer defines cash equivalents as liquid investments with an original maturity of three months or less, exclusive of restricted cash and certificate of deposit, which are not available for operations. SeCTer had no cash equivalents as of June 30, 2023.

RESTRICTED CASH AND CERTIFICATE OF DEPOSIT

Restricted cash and certificate of deposit represents cash restricted to the lending programs of seCTer.

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

NET ASSET CATEGORIES

To ensure observance of limitations and restrictions placed on the use of resources available to seCTer, the accounts of seCTer are maintained in the following net asset categories:

Without Donor Restrictions

Net assets without donor restrictions consist of available resources other than donor restricted contributions. Included in net assets without donor restrictions are grants, which may be earmarked for specific purposes.

The board of directors has established the following designation of net assets:

- | | |
|----------------|------------|
| • Reserve Fund | \$ 309,721 |
|----------------|------------|

With Donor Restrictions

Net assets with donor restrictions represent contributions and investment earnings thereon that are restricted by the donor as to purpose, time of expenditure, or with the restriction that the principal be invested in perpetuity, and that only the earnings thereon be used for support of seCTer's operations. SeCTer's net assets with donor restrictions consist of amounts received under the Regional Revolving Loan Fund (RRLF), Small Business Loan Fund (SBLF), Southeast Regional Development Fund loan fund (SRDF) and the Cares Act Regional Revolving Loan Cares RRLF). A portion of the income earned from the Cares RRLF program, including interest income, is restricted for use in funding related indirect costs of the program. Loan write-offs serve to reduce net assets with donor restrictions.

REVENUE AND REVENUE RECOGNITION

Grants

Grants are generally considered to be exchange transactions in which the grantor requires the performance of specified activities.

Entitlement to cost reimbursement grants is based on the expenditure of funds in accordance with grant restrictions. Therefore, revenue is recognized to the extent of grant expenditures. Grant receipts in excess of amounts expended are recognized as deferred grant revenue.

Contributions

Contributions are defined as voluntary, nonreciprocal transfers, and include amounts received to fund various programs.

SeCTer recognizes contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE AND REVENUE RECOGNITION (Continued)

Program Fees

Revenue from program fees are recognized as income when the service is performed.

Interest Income

Interest income is recognized as income when earned. Loans which are over ninety (90) days past due are considered for non-accrual status and once placed on non-accrual status, those loans do not accrue interest.

Donated Services

SeCTer recognizes donated services, if they create or enhance non-financial assets, or require specialized skills, and would typically need to be purchased, if not provided by donation. General volunteer services do not meet this criteria for recognition in the financial statements. No donated expenses have been recognized in the accompanying financial statements.

Contributed Nonfinancial Assets

Contributed nonfinancial assets, including the usage of assets such as rent, are recognized at their estimated fair market value. For the year ended June 30, 2023, seCTer recognized \$30,125 in donated rent.

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

PROPERTY AND EQUIPMENT

Property and equipment acquisitions and leasehold improvements that individually exceed \$5,000 are capitalized at cost, if purchased, or fair market value, if donated. Depreciation is provided over the estimated useful lives of property and equipment on a straight-line basis. Leasehold improvements are amortized over the life of the asset or the remaining lease term, whichever is shorter. Repairs and maintenance are charged to expense as incurred.

EXPENSES BY FUNCTION

The financial statements of seCTer report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and office and occupancy, which are both allocated on a square footage basis, as well as salaries and benefits, which are allocated on the basis of time and effort studies.

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

OPERATING LEASE RIGHT-OF-USE ASSET

The operating lease right-of-use asset is an intangible asset that represents the value of the lessee's right to use a leased asset. For seCTer, the asset represents the right to use the office space where seCTer is located. This asset is presented net of accumulated amortization. The amortization of this asset is included in lease expense.

APPLICATION OF ACCOUNTING STANDARDS

As of July 1, 2022, seCTer changed its method of accounting for leases due to the adoption of Accounting Standards Codification Topic 842, *Leases* (see Note 13).

INCOME TAXES

The Internal Revenue Service has determined that seCTer is exempt from federal income taxes on exempt function income as a public charity under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying financial statements.

SeCTer did not recognize any liability for uncertain tax positions as defined by accounting principles generally accepted in the United States of America.

The federal tax return of seCTer for the year ended June 30, 2023 is subject to examination by the IRS, generally for three years after it has been filed.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 13, 2023, which is the date the financial statements were available to be issued. There were no subsequent events identified that require disclosure.

NOTE 2 - CONCENTRATIONS

CONCENTRATIONS OF CREDIT RISK

SeCTer's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, grants and accounts receivable, restricted cash and certificate of deposit, and loans receivable. SeCTer places its deposits in high credit quality institutions and at times such deposits may exceed federal depository insurance.

Loans receivable consist of loans to Southeastern Connecticut businesses under state, federal, and privately funded loan programs. Grants receivable consist primarily of amounts due under a contract with a federal agency. Accounts receivable consists primarily of the current interest payments due on the outstanding loans. The loans are generally collateralized by business assets and personal guarantees of the borrower. Loans which are over ninety (90) days past due are considered for non-accrual status. Once placed on non-accrual status, those loans do not accrue interest, and any payments are applied to principal. Management maintains an allowance for potential credit losses, and such losses have been within management expectations.

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 - CONCENTRATIONS (Continued)

REVENUE CONCENTRATIONS

Grants from U.S. Department of Defense (DOD) and Connecticut Department of Economic and Community Development (DECD), comprised 72% of total revenues for the year ended June 30, 2023.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects seCTer's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at year-end	
Cash	\$ 608,601
Grants receivable	244,727
Accounts receivable	55,532
Restricted cash and certificate of deposit	3,980,685
Loans receivable, net	3,742,026
Unused line of credit	<u>150,000</u>
	8,781,571
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	7,722,711
Board designations:	
Reserve fund	<u>309,721</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 749,139</u></u>

NOTE 4 - LOANS RECEIVABLE

A summary of loans receivable by loan program as of June 30, 2023 is as follows:

Connecticut Small Business Boost Fund	\$ 37,500
Regional Revolving Loan Fund	179,234
Regional Revolving Loan Cares Fund	1,271,825
Small Business Loan Fund	185,411
Southeast Regional Development Fund	<u>2,344,763</u>
	4,018,733
Less: allowance for doubtful loans	<u>276,707</u>
	<u><u>\$ 3,742,026</u></u>

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 - RESTRICTED CASH AND CERTIFICATE OF DEPOSIT

Restricted cash and certificate of deposit consist of the following as of June 30, 2023:

Description	Total
Certificate of deposit	\$ 169,384
Cash and cash equivalents	3,811,301
	<u>\$ 3,980,685</u>

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2023 is as follows:

Office equipment	\$ 27,424
Computer equipment	14,125
	<u>41,549</u>
Less: accumulated depreciation and amortization	37,072
	<u>\$ 4,477</u>

Depreciation and amortization expense for the year ended June 30, 2023 was \$1,100.

NOTE 7 - NOTE PAYABLE

\$150,000 line of credit with a local bank. The line of credit, which is due on demand, bears an interest rate of 3% and is collateralized by a certificate of deposit maintained with the bank. There were no borrowings on the line of credit through June 30, 2023.

\$ -

NOTE 8 - CONTRACT BALANCES

Accounts receivable and deferred revenue were as follows as of June 30, 2023 and 2022:

	2023	2022
Grants Receivable	<u>\$ 244,727</u>	<u>\$ 159,958</u>
Program income receivable	<u>\$ 55,532</u>	<u>\$ 214,569</u>
Deferred grant revenue	<u>\$ 521,577</u>	<u>\$ 139,145</u>

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 - CONTINGENCIES

Grants

SeCTer participates in various federal and state grant programs. These programs are subject to program compliance audits pursuant to the Federal and State Single Audit Acts. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although seCTer anticipates the amounts, if any, to be immaterial.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2023:

Southeast Regional Development Fund	\$ 3,927,947
Regional Revolving Loan Fund	971,811
Regional Revolving Loan Cares Fund	1,914,937
Small Business Loan Fund	795,416
Lend a Hand Loan Fund	112,600
	<u>\$ 7,722,711</u>

The following assets comprise net assets with donor restrictions at June 30, 2023:

Loans receivable, net	\$ 3,742,026
Restricted cash and certificate of deposit	3,980,685
	<u>\$ 7,722,711</u>

Net assets released from restrictions for the year ended June 30, 2023 are as follows:

Purpose restrictions:	
Regional Revolving Loan Care Funds	<u>\$ 48,076</u>

NOTE 11 - DISAGGREGATION OF REVENUE

The following table disaggregates seCTer's support and revenue for the year ended June 30, 2023:

Revenue from contracts with customers	
Satisfied over time	
Program fees	\$ 52,114
Grant revenue	1,333,648
Interest income-loans receivable	218,752
	<u>1,604,514</u>
Other support and revenue	
Contributions	145,900
Contributed nonfinancial assets	30,125
Investment income	75,368
Loan allowances	(520,713)
	<u>(269,320)</u>
Total support and revenue	<u>\$ 1,335,194</u>

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 - PENSION PLAN

SeCTer maintains a defined contribution pension plan in which substantially all employees participate. Under the terms of the plan, seCTer contributed 8% of eligible employee compensation. Pension expense for the year ended June 30, 2023 totaled \$67,154.

NOTE 13 - LEASE AGREEMENT

SeCTer leases office space under a lease which ends on March 31, 2025. Under the terms of the lease, seCTer pays a basic rent per square foot which is subject to review and renegotiation every five years, plus its proportionate share of certain taxes and operating expenses of the leased property.

As of July 1, 2022, seCTer changed its method of accounting for leases due to the adoption of Accounting Standards Codification Topic 842, *Leases*. Upon adoption, seCTer recognized a right-of-use asset and an operating lease liability in the amount of \$103,625 using a weighted-average discount rate of 5.00%. Operating cash flows for this operating lease totaled \$40,242 for the year ended June 30, 2023.

At June 30, 2023, the lease had a weighted-average lease term of 1.75 years with future minimum lease payments as follows:

2024	\$ 40,242
2025	<u>30,182</u>
Total undiscounted cash flows	70,424
Less: present value discount	<u>2,847</u>
Operating lease liability, net	<u><u>\$ 67,577</u></u>

At June 30, 2023, the operating lease right-to-use lease asset consisted of the following:

Cost	\$ 103,625
Less accumulated amortization	<u>36,048</u>
Net carrying balance	<u><u>\$ 67,577</u></u>

Total occupancy expense recognized for the year ended June 30, 2023 was \$72,895 of which \$40,242 was operating lease expense, \$30,125 was contributed rent, and \$2,528 was for utilities.



**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
Southeastern Connecticut Enterprise Region Corporation
Groton, Connecticut

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 financial statements of the Southeastern Connecticut Enterprise Region Corporation (seCTer), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered seCTer's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of seCTer's internal control. Accordingly, we do not express an opinion on the effectiveness of seCTer's internal control.

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

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



REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether seCTer's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 seCTer's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering seCTer's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut

November 13, 2023

**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
Southeastern Connecticut Enterprise Region Corporation
Groton, Connecticut

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited Southeastern Connecticut Enterprise Region Corporation's (seCTer) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of seCTer's major federal programs for the year ended June 30, 2023. SeCTer's major federal program is identified in the summary of auditors' results section of the accompanying schedule of federal findings and questioned costs.

In our opinion, seCTer complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of seCTer and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of seCTer's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the seCTer's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on seCTer's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the seCTer's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding seCTer's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of seCTer's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the seCTer's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut

November 13, 2023

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Grantor; Pass-through Grantor; Program Title; Description</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Grant Period Ending</u>	<u>Grant Expenditures</u>
U.S. DEPARTMENT OF COMMERCE				
Direct:				
Economic Adjustment Assistance, Cares Act Revolving Loan Fund	01-79-73018	11.307		1,963,013 *
Economic Adjustment Assistance, American Rescue Plan Revolving Loan Fund- administrative costs	01-79-15238	11.307		20,424
Economic Adjustment Assistance, Build Back Better Regional Challenge	ED22HDQ3070025	11.307		218,595
Economic Adjustment Assistance, Cares	ED20PHI3070059	11.307		67,120
				<u>2,269,152</u>
Economic Development Planning Grant	01-83-14486	11.302		70,000
Total U.S. Department of Commerce				<u>2,339,152</u>
U.S. DEPARTMENT OF DEFENSE				
Direct:				
Procurement Technical Assistance Program	SP4800-21-2-2105	12.002	8/22	76,074
Procurement Technical Assistance Program	SP4800-22-2-2205	12.002	8/23	400,274
				<u>476,348</u>
Total Federal Awards				<u>\$ 2,815,500</u>

* See Note D for calculation.

The accompanying notes are an integral part of this schedule.

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023**

NOTE A - ACCOUNTING BASIS

BASIC FINANCIAL STATEMENTS

The accounting policies of seCTer conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of federal awards is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance-based awards, revenues are recognized to the extent of performance achieved during the grant period.

Southeastern Connecticut Enterprise Region Corporation has elected to use the 10% de Minimis indirect cost rate on the Economic Adjustment Assistance, Cares Act Revolving Loan Fund-administrative costs grant (01-79-73018) and the Economic Adjustment Assistance, American Rescue Plan Revolving Loan Fund -administrative costs grant (01-79-15238).

NOTE B - LOAN PROGRAMS

The following is a summary of loan activity for the year ended June 30, 2023:

Grantor agency:	Department of Commerce
Loan fund:	Cares Act
CFDA number	11.307
Grant number:	01-79-73018
Issue date:	July 2020
Interest rate:	0%
Original amount:	\$1,960,000

	Loan Principal	Allowance for collection losses	Net carrying amount
Balance July 1, 2022	\$ 1,631,696	\$ 81,585	\$ 1,550,111
Loans made	100,000	-	100,000
Payments received	(459,871)	-	(459,871)
Loan write-offs	-	-	-
Increase in allowance for loan losses	-	5,986	(5,986)
Balance June 30, 2023	<u>\$ 1,271,825</u>	<u>\$ 87,571</u>	<u>\$ 1,184,254</u>

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023**

NOTE C - OTHER FEDERAL ASSISTANCE

Southeastern Connecticut Enterprise Region Corporation did not receive any non-cash assistance, or other federal assistance in the form of loan guarantees or insurance.

NOTE D - CALCULATION OF FEDERAL ASSISTANCE

		Regional Revolving Cares Loans 01-79-73018
As of June 30, 2023:		
Carrying amount of loans	\$	1,271,825
Cash and certificate of deposit		643,112
Administrative expenses for fiscal year		48,076
Federal Assistance for fiscal year	\$	<u>1,963,013</u>

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

☐ Material weakness(es) identified? _____ Yes ✓ No

☐ Significant deficiency(ies) identified? _____ Yes ✓ None reported

Noncompliance material to financial statements noted? _____ Yes ✓ No

FEDERAL AWARDS

Internal control over major programs:

☐ Material weakness(es) identified? _____ Yes ✓ No

☐ Significant deficiency(ies) identified? _____ Yes ✓ None reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance _____ Yes ✓ No

Identification of major programs:

CFDA Number	Name of Federal Program	Expenditures	Federal Assistance
11.307	Economic Adjustment Assistance, Sudden and Severe Economic Dislocation Implementation Grant	\$2,269,152	\$2,269,152

Auditee qualified as low-risk auditee? _____ ✓ Yes _____ No

Dollar threshold used to distinguish between Type A and Type B program: \$750,000

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

**SECTION II – SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS
REQUIRED UNDER GENERALLY ACCEPTED *GOVERNMENT
AUDITING STANDARDS***

- We issued a report dated November 13, 2023 on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting disclosed no material weaknesses.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- There were no findings or questioned costs reported.

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
SUMMARY SCHEDULE OF THE STATUS OF
PRIOR FEDERAL AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

PRIOR YEAR AUDIT FINDINGS RESOLVED

None

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE STATE SINGLE AUDIT ACT**

To the Board of Directors of
Southeastern Connecticut Enterprise Region Corporation
Groton, Connecticut

REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM

Opinion on Each Major State Program

We have audited Southeastern Connecticut Enterprise Region Corporation's (seCTer) compliance with the types of compliance requirements identified as a subject to audit in the *Office of Policy and Management's Compliance Supplement* that could have a direct and material effect on each of seCTer's major state programs for the year ended June 30, 2023. SeCTer's major state programs are identified in the summary of auditors' results section of the accompanying schedule of state findings and questioned costs.

In our opinion, seCTer complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of seCTer and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of seCTer's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable seCTer's state programs.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on seCTer's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about seCTer's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding seCTer's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of seCTer's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of seCTer's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all

deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Hayt, Filippetti & Malaghan, LLC

Groton, Connecticut
November 13, 2023

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2023**

<u>State Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Passed Through to Subrecipients</u>	<u>Grant Expenditures</u>
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT			
Direct:			
Procurement Technical Assistance Program (AKA APEX Accelerator Program)	12034-ECD46000-40221-099	\$ -	\$ 317,828
Support Connecticut Small Business Grant Program	12060-ECD46200-35497	57,280	137,306
Total direct:		57,280	455,134
Indirect:			
Passed through from the University of Connecticut Connecticut Small Business Development Center	16ECD0002MU	-	26,025
Passed through from the CDP Connecticut Loan Fund, Inc. Small Business Boost Fund	12052-ECD46000-43516	-	742,625
Total indirect		-	768,650
Total State Awards		<u>\$ 57,280</u>	<u>\$ 1,223,784</u>

The accompanying note is an integral part of this schedule.

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A - ACCOUNTING BASIS

BASIC FINANCIAL STATEMENTS

The accounting policies of Southeastern Connecticut Enterprise Region (seCTer) conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance-based awards, revenues are recognized to the extent of performance achieved during the period.

NOTE B - SUBRECIPIENTS

The following entities were subrecipients of seCTer's Support Connecticut Small Business Grant Program (CORE-CT # 12060-ECD46200-35497) for the year ended June 30, 2023:

	Amount
Sustainable Planet, LLC	\$ 20,000
Myrcene Ale Company, LLC	18,780
860Kombucha, LLC	18,500
	<u>\$ 57,280</u>

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued:	Unmodified		
Internal control over financial reporting:			
☐ Material weakness(es) identified?	_____ Yes	_____ ☒	No
☐ Significant deficiency(ies) identified?	_____ Yes	_____ ☒	None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ ☒	No

STATE FINANCIAL ASSISTANCE

Internal control over major programs:			
☐ Material weakness(es) identified?	_____ Yes	_____ ☒	No
☐ Significant deficiency(ies) identified?	_____ Yes	_____ ☒	None reported
Type of auditors’ report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?	_____ Yes	_____ ☒	No

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

<u>State Grantor/Program</u>	<u>State Grant Program Identification Number</u>	<u>Expenditures</u>
Department of Economic and Community Development:		
Support Connecticut Small Business Grant Program	12060-ECD46200-35497	\$ 137,306
CDP Connecticut Loan Fund, Inc. Small Business Boost Fund	12052-ECD46000-43516	\$742,625
Dollar threshold used to distinguish between Type A and Type B program:		<u>\$200,000</u>

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

**SECTION II— SUMMARY OF FINDINGS RELATED TO FINANCIAL
STATEMENTS REQUIRED UNDER *GOVERNMENT AUDITING
STANDARDS***

- We issued a report dated November 13, 2023 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*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting disclosed no material weaknesses.

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATING TO STATE
FINANCIAL ASSISTANCE**

None

**SOUTHEASTERN CONNECTICUT ENTERPRISE
REGION CORPORATION
SUMMARY SCHEDULE OF THE STATUS OF
PRIOR STATE AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

PRIOR YEAR AUDIT FINDINGS RESOLVED

None