

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2019 AND 2018

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

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Independent Auditors' Report

To the Board of Directors
Columbus House, Inc. and Subsidiaries
New Haven, Connecticut

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Columbus House, Inc. and Subsidiaries (collectively, the Organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

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 audit 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 auditors consider 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 the Organization as of June 30, 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.

Change in Accounting Principle

As discussed in Note 2, during the year ended June 30, 2019, the Organization adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedules of program services expenses are presented for purposes of additional analysis and are not a required part of the basic 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 audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 a report dated October 29, 2019 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Organization'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 the Organization's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 29, 2019

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 174,383	\$ 360,518
Investments	563,636	564,542
Grants receivable	264,122	538,243
Contract and other receivables	277,747	165,688
Client funds	217,906	238,202
Other assets	146,233	122,706
Restricted cash	162,684	113,197
Property, buildings and equipment, net	<u>12,088,904</u>	<u>10,456,325</u>
Total Assets	<u>\$ 13,895,615</u>	<u>\$ 12,559,421</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 738,963	\$ 681,875
Client funds liability	217,906	238,202
Line of credit	455,000	210,000
Notes payable, net	904,499	939,629
Refundable advances	270,119	189,294
CHFA mortgages payable	432,559	-
CHFA advances	<u>2,885,400</u>	<u>2,885,400</u>
Total liabilities	<u>5,904,446</u>	<u>5,144,400</u>
Net Assets		
Without donor restrictions	7,689,653	7,049,846
With donor restrictions	<u>301,516</u>	<u>365,175</u>
Total net assets	<u>7,991,169</u>	<u>7,415,021</u>
Total Liabilities and Net Assets	<u>\$ 13,895,615</u>	<u>\$ 12,559,421</u>

The accompanying notes are an integral part of the consolidated financial statements

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Support and Other Changes						
Federal and state grants	\$ 9,682,772	\$ -	\$ 9,682,772	\$ 9,693,800	\$ -	\$ 9,693,800
Contributions	1,306,790	112,741	1,419,531	1,102,974	129,230	1,232,204
Program fees	791,267	-	791,267	644,197	-	644,197
Other grants	146,685	-	146,685	42,998	-	42,998
Developer fees	-	-	-	159,022	-	159,022
Donated rent	6,500	-	6,500	6,500	-	6,500
Other income	170,906	-	170,906	134,568	-	134,568
Special fundraising activities	53,576	-	53,576	25,264	15,892	41,156
Net assets released from restrictions	176,400	(176,400)	-	314,293	(314,293)	-
Total revenues, support and other changes	<u>12,334,896</u>	<u>(63,659)</u>	<u>12,271,237</u>	<u>12,123,616</u>	<u>(169,171)</u>	<u>11,954,445</u>
Expenses						
Program services	9,789,706	-	9,789,706	9,305,913	-	9,305,913
Management and general	1,653,061	-	1,653,061	1,757,855	-	1,757,855
Development and fundraising	358,290	-	358,290	336,846	-	336,846
Total expenses	<u>11,801,057</u>	<u>-</u>	<u>11,801,057</u>	<u>11,400,614</u>	<u>-</u>	<u>11,400,614</u>
Change in Net Assets Before Other Changes	<u>533,839</u>	<u>(63,659)</u>	<u>470,180</u>	<u>723,002</u>	<u>(169,171)</u>	<u>553,831</u>
Other Changes						
Depreciation	(416,423)	-	(416,423)	(402,557)	-	(402,557)
Loss on disposal of property, buildings and equipment	-	-	-	(2,942)	-	(2,942)
Gain on the acquisition of Green and Grand Street properties	522,391	-	522,391	-	-	-
Forgiveness of refundable advance	-	-	-	155,273	-	155,273
Total other changes	<u>105,968</u>	<u>-</u>	<u>105,968</u>	<u>(250,226)</u>	<u>-</u>	<u>(250,226)</u>
Increase (Decrease) in Net Assets	639,807	(63,659)	576,148	472,776	(169,171)	303,605
Net Assets - Beginning of Year	<u>7,049,846</u>	<u>365,175</u>	<u>7,415,021</u>	<u>6,577,070</u>	<u>534,346</u>	<u>7,111,416</u>
Net Assets - End of Year	<u>\$ 7,689,653</u>	<u>\$ 301,516</u>	<u>\$ 7,991,169</u>	<u>\$ 7,049,846</u>	<u>\$ 365,175</u>	<u>\$ 7,415,021</u>

The accompanying notes are an integral part of the consolidated financial statements

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019				2018			
	Program Services	Management and General	Development and Fundraising	Total	Program Services	Management and General	Development and Fundraising	Total
Personnel costs	\$ 6,141,593	\$ 1,461,688	\$ 285,896	\$ 7,889,177	\$ 5,784,399	\$ 1,569,415	\$ 278,214	\$ 7,632,028
Direct housing assistance	1,558,605	-	-	1,558,605	1,663,573	-	-	1,663,573
Occupancy	605,306	13,340	2,498	621,144	555,900	8,110	2,106	566,116
Professional fees and contractual services	395,022	54,976	15,521	465,519	351,892	61,056	14,330	427,278
Office expense	222,453	51,115	11,639	285,207	207,535	30,212	9,875	247,622
House and grounds supplies and services	250,034	6,785	1,255	258,074	210,736	3,414	1,435	215,585
Food and supplies	179,891	240	-	180,131	142,674	-	-	142,674
Insurance	148,184	12,333	1,309	161,826	137,778	14,365	956	153,099
Transportation and vehicle expense	149,242	565	1,619	151,426	137,332	875	979	139,186
Client support	72,887	-	-	72,887	72,731	-	-	72,731
Interest and bank fees	36,536	27,584	3,824	67,944	20,205	39,864	3,644	63,713
Consultants	29,473	24,435	-	53,908	21,158	30,520	-	51,678
Promotion	480	-	34,729	35,209	-	24	25,307	25,331
Total Expenses Before Depreciation	9,789,706	1,653,061	358,290	11,801,057	9,305,913	1,757,855	336,846	11,400,614
Depreciation	399,162	16,259	1,002	416,423	380,639	20,876	1,042	402,557
Total Expenses	\$ 10,188,868	\$ 1,669,320	\$ 359,292	\$ 12,217,480	\$ 9,686,552	\$ 1,778,731	\$ 337,888	\$ 11,803,171

The accompanying notes are an integral part of the consolidated financial statements

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 576,148	\$ 303,605
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(14,531)	(28,367)
Depreciation	416,423	402,557
Amortization of notes payable issuance costs	449	446
Loss on disposal of property, buildings and equipment	-	2,942
Transfer of property, buildings and equipment to Shepherd Home Limited Partnership	-	427,194
Gain on the acquisition of Green and Grand Street properties	(522,391)	-
Gain on forgiveness of refundable advance	-	(155,273)
(Increase) decrease in operating assets:		
Cash received in acquisition of Green and Grand Street properties	31,689	-
Grants receivable	274,121	(276,529)
Contract and other receivables	(112,059)	(68,605)
Client funds	20,296	(126,701)
Other assets	(23,527)	7,336
Restricted cash	(49,487)	(19,957)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	57,088	(72,144)
Client funds liability	(20,296)	126,701
Refundable advances	80,825	(46,670)
Net cash provided by operating activities	<u>714,748</u>	<u>476,535</u>
Cash Flows from Investing Activities		
(Purchases) sales of investments	15,437	(101,343)
Acquisition of property, buildings and equipment	(1,113,052)	(581,548)
Net cash used in investing activities	<u>(1,097,615)</u>	<u>(682,891)</u>
Cash Flows from Financing Activities		
Proceeds from line of credit	245,000	210,000
Repayments on notes payable	(35,579)	(533,956)
Repayments on CHFA mortgages	(12,689)	-
Proceeds from note payable	-	100,000
Net cash provided by (used in) financing activities	<u>196,732</u>	<u>(223,956)</u>
Net Decrease in Cash and Cash Equivalents	(186,135)	(430,312)
Cash and Cash Equivalents - Beginning of Year	<u>360,518</u>	<u>790,830</u>
Cash and Cash Equivalents - End of Year	<u>\$ 174,383</u>	<u>\$ 360,518</u>
Cash Paid During the Year for Interest	\$ 42,916	\$ 44,027

The accompanying notes are an integral part of the consolidated financial statements

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Columbus House, Inc. (Columbus House), a Connecticut nonstock corporation, opened its doors in 1982 to provide emergency shelter to men and women over the age of 18 who were experiencing homelessness. Since that time, the agency has expanded its mission and programs dramatically, providing not only shelter but housing and a full array of services designed to help people move out of homelessness towards housing, recovery and independence. These services are funded by grants and contributions from government entities, individuals, foundations and religious organizations.

CH Supportive Housing-1, LLC, a single-member limited liability company owned by Columbus House, Inc., was organized in 2012 for the purpose of developing and managing housing for people experiencing homelessness in Connecticut.

Shepherd Home Supportive Housing, LLC, a single-member limited liability company owned by Columbus House, Inc., was organized in 2017 for the purpose of developing and managing housing for veterans experiencing homelessness in Connecticut.

CHI-Peterson, LLC, a single-member limited liability company owned by Columbus House, Inc., was organized in 2018 for the purpose of developing and managing housing for people experiencing homelessness in Connecticut. Effective August 31, 2018, CHI-Peterson, LLC, acquired 25 Green Street and 54 Grand Street, which are affordable housing properties funded by the Connecticut Housing Finance Authority (CHFA). Assets assumed in the acquisition include all real property, cash remaining for these properties, and CHFA mortgages. As of June 30, 2019, CHI-Peterson, LLC, has recorded cash and cash equivalents of \$31,689, the fair value of property, buildings and equipment acquired of \$935,950 and CHFA mortgages payable of \$445,248 on the consolidated statements of financial position, and a gain on the acquisition of \$522,391 on the consolidated statements of activities. Columbus House, CH Supportive Housing-1, LLC, Shepherd Home Supportive Housing, LLC, and CHI-Peterson, LLC, are collectively referred to as the Organization.

Programs and Services

Shelter and Services

Columbus House provides emergency shelter and case management services in New Haven, Wallingford and Middletown. In New Haven, intensive case management support is provided to 17 men in recovery at Recovery House, while at the main shelter, 81 beds provide emergency shelter to single adults. During winter months, a seasonal shelter is provided to 75 men. In addition, in collaboration with congregations in the faith community, shelter is provided for 12 people in social halls of these congregations for 5 months during the peak winter season.

Also in New Haven, the Organization operates a Medical Respite program for people leaving Yale New Haven Hospital or the VA Hospital, who are in need of recuperative care. Once in the Respite program, patients receive ongoing medical care from visiting nurses until they are medically cleared by a physician. While in the Respite program, the patients receive intensive services that help them make and keep follow-up healthcare visits and work towards getting appropriate housing.

Columbus House also provides seasonal warming centers in Hamden and Middletown, providing emergency shelter for up to 65 people during the coldest winter months. In Wallingford, a seasonal shelter offers 15 beds to men and women, during the winter months. Year-round shelter is provided to four families. In Middletown, families experiencing homelessness are offered shelter in the seven available units. All shelter clients receive case management to support them in finding permanent housing.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Housing Services

Columbus House provided housing and services to over 450 individuals and families in 2018 through either permanent supportive housing or rapid rehousing supports. Permanent supportive housing is for people who have been homeless for a year or more and live with a disability, most often with mental illness. The client has a lease with the landlord and pays 30% of his/her income towards rent, which is subsidized by federal or state funds managed through Columbus House. Supportive case management services help clients stay housed by tending to the lease agreement and helping them integrate into the community.

Columbus House is also a housing developer. Completed in 2015, Val Macri was the first development the Organization owns and manages. This small complex has 17 renovated units, housing both very low income single adults and chronically homeless people. In 2019, the Organization completed renovations at Mary Shepherd Home in Middletown to house 32 adults, both very low income and homeless with a preference for veterans.

Rapid Rehousing is for people in the shelter who can move out quickly with short-term financial support. Columbus House has been awarded Rapid Rehousing funds for individuals and families, in both Middletown and New Haven. Clients may receive a short-term subsidy that helps them move from homelessness to appropriate housing in the community.

Support Services

In every program, Columbus House provides support services through professional and paraprofessional staff. Case management services assist clients with getting housed and taking care of basic needs such as obtaining an ID, furniture or bus passes. The Organization's employment specialists work with clients on employment readiness skills and connect with employers, opening doors to new opportunities for the clients. Benefits specialists ensure that clients are enrolled in health insurance, Social Security benefits, food stamps and other entitlement programs. A Rep Payee program helps clients manage their money so that they can maintain housing by paying their rent and bills on time and fully.

Veteran-specific services include Harkness House and the Support Services for Veteran Families program. Harkness House provides temporary housing for veterans along with case management services. Support Services for Veteran Families provides case management, employment, housing and benefits specialists for veterans who are homeless and for those who are at risk of becoming homeless. Through these and other programs, Columbus House serves more than 400 veterans annually.

Outreach Programs

In many communities across Connecticut, there are people who are homeless who are living on the streets, in encampments and in abandoned buildings. Columbus House staff provide street outreach in New Haven and Middletown to work with people who do not or cannot come into the shelters in those communities. The goal is to help move people into housing by providing regular engagement and, ultimately, case management services. The Organization also provides a transportation program that offers free rides for people who are homeless and in need of getting to and from medical or treatment-related appointments, anywhere in the state.

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment changes the previous reporting model for nonprofit organizations and enhances the disclosure requirements. The major changes include: (a) requiring the presentation of only two classes of net assets rather than three, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investments expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. This ASU is effective for annual periods beginning after December 15, 2017. Management has adopted ASU 2016-14 for the year ended June 30, 2019. The amendments have been retrospectively applied, with the exception of disclosures on liquidity and availability of resources for the year ended June 30, 2018.

Basis of Accounting and Presentation

The financial statements are presented on a consolidated basis to include the transactions of Columbus House, Inc., and its subsidiaries, CH Supportive Housing-1, LLC, Shepherd Home Supportive Housing, LLC, and CHI-Peterson, LLC. All material intercompany balances and transactions have been eliminated in the consolidated financial statements. The consolidated financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of the Organization are reported in the following net asset categories: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors. The Board of Directors has designated net assets of \$303,010 for operational reserves at June 30, 2019 and 2018.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions that are restricted by the donor either as to purpose or time. The Organization's net assets held in perpetuity consist of the land value of a property restricted in perpetuity for the benefit of low-income persons.

Use of Estimates

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

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and certain highly liquid investments with original maturities of 90 days or less. The Organization maintains its cash and cash equivalents in financial institutions that may, at times, exceed federal depository insurance limits. Management believes that the Organization's deposits are not subject to significant credit risk.

Investment Valuation and Income Recognition

Investments in mutual funds are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in certificates of deposit are reported at cost. See Note 4 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Realized and unrealized gains include the Organization's gains and losses on investments bought and sold as well as held during the year.

Grants, Contracts and Other Receivables, Net

Grants from federal, state and other sources are recognized as revenue when the related expenditures are incurred, or revenue is otherwise earned. The Organization has also entered into contract fee-for-service agreements with several governmental agencies. Additionally, the Organization enters into service agreements with clients in certain of its housing programs. Grants receivable represents unreimbursed expenses, and contracts and other receivables represents contract fee receivables at June 30, 2019 and 2018. Grant receipts in excess of expenditures are recognized as refundable advances.

Management performs a periodic review of client receivables arising out of such agreements and specific accounts are written off after normal collection efforts have been exhausted. Management has determined that an allowance for doubtful accounts is not necessary as of June 30, 2019 and 2018.

Other Assets

Other assets consist of security deposits on rental properties and prepaid expenses.

Property, Buildings and Equipment

Property and equipment acquisitions and improvements thereon that exceed \$1,000 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives. Repairs and maintenance are charged to expense as incurred.

Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value. The Organization and its affiliates report nongovernmental contributions and grants of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated Property and Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization.

Donated property and the use of equipment and facilities are recorded as contributions and expensed at fair market value when determinable, otherwise at values indicated by the donor.

While many individuals volunteer their time and perform a variety of tasks that assist the Organization, most amounts have not been recognized in the accompanying consolidated financial statements for such services because the criteria for recognition of such volunteer efforts have not been met.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Expenses are charged directly to program services, development and fundraising, and management and general based on specific identification to the extent practicable. Expenses related to more than one function have been allocated based on staff time and effort expended, square footage occupied and other reasonable measures of relative benefit. Management and general expenses include those expenses that are not directly identifiable with a specific function but provide for the overall support and direction of the Organization.

Income Taxes

Columbus House is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code (the Code). CH Supportive Housing-1, LLC, and CHI-Peterson, LLC, are wholly owned by Columbus House and are treated as disregarded entities pursuant to Treasury Regulation Section 301.7701-3 for federal income tax purposes. Generally, disregarded entities are not subject to entity-level federal or state income taxation and, as such, the Organization is not required to provide for income taxes. All activity of CH Supportive Housing-1, LLC, and CHI-Peterson, LLC, is included in the Columbus House Form 990. Shepherd Home Supportive Housing, LLC, is treated as a corporation for income tax purposes.

Reclassifications

Certain amounts on the consolidated financial statements as of June 30, 2018 have been reclassified to conform to the current year presentation.

Subsequent Events

In preparing these consolidated financial statements, management has evaluated subsequent events through October 29, 2019, which represents the date the consolidated financial statements were available to be issued.

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - SHEPHERD HOME LIMITED PARTNERSHIP

Shepherd Home Supportive Housing, LLC, is the general partner in the limited partnership, Shepherd Home Limited Partnership, which was established on May 8, 2018. Shepherd Home Supportive Housing, LLC, has a .01% ownership interest in Shepherd Home Limited Partnership. The purpose of the partnership is to own, finance, lease and operate the Shepherd's Home project, which includes a building containing 32 residential units for low-income individuals, administration offices and community rooms.

The Organization is contingently liable for the satisfaction of all liabilities of Shepherd Home Limited Partnership. The construction phase was completed on March 1, 2019 and as of June 30, 2019, all 32 units are occupied. As of June 30, 2019, the Organization has recorded \$171,039 of accounts receivable from Shepherd Home Limited Partnership for unreimbursed expenses. Summarized unaudited financial data for Shepherd Home Limited Partnership as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Assets	\$ 8,154,691	\$ 2,210,322
Liabilities	<u>8,160,840</u>	<u>2,210,598</u>
Partners' Deficit	\$ <u>(6,149)</u>	\$ <u>(276)</u>
Revenues	\$ -	\$ -
Expenses	<u>5,873</u>	<u>276</u>
Net Loss	\$ <u>(5,873)</u>	\$ <u>(276)</u>

NOTE 4 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for financial instruments measured at fair value:

Mutual Funds

Mutual funds are valued at the quoted net asset value of shares reported in the active market in which the mutual funds are traded.

There have been no changes in the methodology used at June 30, 2019 and 2018.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2019 and 2018:

	2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equity	\$ 274,281	\$ -	\$ -	\$ 274,281
Fixed income	<u>47,655</u>	<u>-</u>	<u>-</u>	<u>47,655</u>
Total Assets at Fair Value	\$ <u>321,936</u>	\$ <u>-</u>	\$ <u>-</u>	321,936
Certificates of deposit, at cost				<u>241,700</u>
Investments				\$ <u>563,636</u>

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equity	\$ 284,226	\$ -	\$ -	\$ 284,226
Fixed income	44,495	-	-	44,495
Total Assets at Fair Value	<u>\$ 328,721</u>	<u>\$ -</u>	<u>\$ -</u>	328,721
Certificates of deposit, at cost				<u>235,821</u>
Investments				<u>\$ 564,542</u>

There were no transfers between levels of investments during the years ended June 30, 2019 and 2018.

NOTE 5 - PROPERTY, BUILDINGS AND EQUIPMENT

Property, buildings and equipment as of June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 470,336	\$ 470,336
Buildings and improvements	14,105,869	12,118,136
Furniture and equipment	753,317	748,371
Leasehold improvements	480,441	479,341
Vehicles	172,661	141,818
Construction in progress	286,706	262,325
	<u>16,269,330</u>	<u>14,220,327</u>
Less accumulated depreciation	<u>4,180,426</u>	<u>3,764,002</u>
Property, Buildings and Equipment, Net	<u>\$ 12,088,904</u>	<u>\$ 10,456,325</u>

NOTE 6 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available for general expenditures within one year of the statements of financial position date are as follows:

Cash and cash equivalents	\$ 174,383
Investments	260,626
Grants receivable	264,122
Contracts and other receivables	<u>102,931</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$ 802,062</u>

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Liquidity Management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization has a line of credit with Citizens Bank of \$1,000,000 (\$545,000 available at June 30, 2019) that it could draw upon in the event of an unanticipated liquidity need. The Organization's governing board has designated \$303,010 of net assets without donor restrictions as an operating reserve. These funds may be spent at the discretion of the Board. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

NOTE 7 - CONCENTRATIONS

The Organization receives a significant portion of its total support from federal and state grants and contracts. As with all government funding, these grants and contracts are subject to reduction or termination in future years. Any significant reduction in these grants and contracts could have an adverse effect on the Organization's program services. Based on historical experience, management believes grants receivable represent negligible credit risk.

NOTE 8 - LINE OF CREDIT

The Organization has an available line of credit of \$1,000,000 that expires on March 31, 2020. The line bears interest at 3% above the LIBOR Advantage Rate (4.398% at June 30, 2019) and is secured by substantially all of the Organization's assets. The total outstanding balance on this line of credit agreement was \$455,000 and \$210,000 as of June 30, 2019 and 2018, respectively.

NOTE 9 - NOTES PAYABLE

Notes payable consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Note payable to Citizens Bank, due November 2029, with monthly payments of \$2,280, including interest at 4.75%, secured by certain real property.	\$ 229,264	\$ 245,169
Note payable to The Greater New Haven Community Loan Fund, due June 2029, with interest of 0%, secured by certain real property. Any payments are deferred, and this note is forgivable in June 2029 if the property remains as affordable housing during this period.	50,000	50,000

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note payable to U.S. Department of Housing and Urban Development, due May 2026, with interest at 0% and secured by certain real property.	80,000	80,000
Note payable to Citizens Bank, due April 2037, with monthly payments of \$3,784 including interest at 4.5%, secured by certain real property.	553,214	572,888
	912,478	948,057
Less unamortized issuance costs	7,979	8,428
Notes Payable, Net	\$ 904,499	\$ 939,629

Future maturities of long-term debt at June 30, 2019 are as follows:

Year Ending June 30

2020	\$ 38,047
2021	39,839
2022	41,715
2023	43,682
2024	46,892
Thereafter	702,303
	\$ 912,478

NOTE 10 - CHFA MORTGAGES

As discussed in Note 1, CHFA mortgages were assumed by CHI-Peterson, LLC, in its acquisition of 25 Green Street and 54 Grand Street. CHFA mortgages payable consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Mortgage payable to CHFA, due June 2023, with monthly payments of \$1,540, including interest at 2%, secured by certain real property.	\$ 72,389	\$ -
Mortgage payable to CHFA, due September 2038, with interest-only payments at 2% through September 2023, then monthly payments of \$373, including interest at 2%, secured by certain real property.	58,000	-
Mortgage payable to CHFA, due September 2058, with quarterly payments due from surplus cash, if any, interest at 0%, secured by certain real property.	214,299	-
Mortgage payable to CHFA, due upon sale of property, interest at 0%, secured by certain real property.	87,871	-
Mortgages Payable	\$ 432,559	\$ -

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Future maturities of CHFA mortgages at June 30, 2019 are as follows:

Year Ending June 30

2020	\$	17,190
2021		17,537
2022		17,891
2023		19,771
2024		2,881
Thereafter		<u>357,289</u>
	\$	<u>432,559</u>

NOTE 11 - CHFA ADVANCE

CH Supportive Housing-1, LLC, contracted with CHFA, under the State Permanent Supportive Housing Initiative Program, for funding for the purpose of construction/rehabilitation of affordable permanent supportive housing units. The advance bears no interest and repayments are not required so long as the Organization fulfills all agreed-upon provisions for a period of 31 years. As of June 30, 2019 and 2018, the Organization had received and expended \$2,885,400.

The CHFA contracts also requires cash to be held in an escrow account. For the years ended June 30, 2019 and 2018, the balance held in escrow was \$162,684 and \$113,197, respectively, and is reported as restricted cash on the consolidated statements of financial position. The funds are invested at CHFA's discretion and are interest bearing. The proceeds from this account may be utilized towards expenses of the program upon approval from CHFA.

NOTE 12 - LEASE COMMITMENTS

The Organization has entered into operating leases for office space, vehicles and various equipment. The terms of the operating leases expire at various times through October 2023.

Rent and vehicle lease expenses for the years ended June 30, 2019 and 2018 amounted to \$229,016 and \$246,463, respectively.

At June 30, 2019, minimum future rental payments under operating leases were as follows:

Year Ending June 30

2020	\$	108,279
2021		57,891
2022		28,074
2023		6,800
2024		<u>381</u>
	\$	<u>201,425</u>

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Organization signed a 98-year lease with the Housing Authority of the City of New Haven for land in New Haven on which they have rehabilitated rental housing. The lease payment for this land is \$1 per year and expires January 2112.

The fair market rental value of the lease is \$6,500 for each of the years ended June 30, 2019 and 2018, and has been recognized as donated property and services on the consolidated statements of activities and occupancy expense on the consolidated statements of functional expenses.

NOTE 13 - DONATED PROPERTY AND SERVICES

The Organization has recorded the estimated fair value of donated food, property and services as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Included in revenue, support and other changes		
Donated food (included in contributions)	\$ 113,350	\$ 70,800
Donated rent	<u>6,500</u>	<u>6,500</u>
Total Donated In-Kind Support	<u>\$ 119,850</u>	<u>\$ 77,300</u>
Included in functional expenses:		
Food and supplies	\$ 113,350	\$ 70,800
Occupancy	<u>6,500</u>	<u>6,500</u>
Total Expenses	<u>\$ 119,850</u>	<u>\$ 77,300</u>

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purpose or time periods at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land held in perpetuity for the benefit of low-income persons	\$ <u>40,700</u>	\$ <u>40,700</u>
Purposes:		
Program	\$ 236,184	\$ 254,559
Property, building and equipment	<u>24,632</u>	<u>69,916</u>
Total Net Assets with Donor Restrictions	<u>\$ 301,516</u>	<u>\$ 365,175</u>

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the following purpose restrictions for the years ended June 30, 2019 and 2018:

	<u>2019</u>		<u>2018</u>
Programs	\$ 131,115	\$	252,317
Property, building and equipment	<u>45,285</u>		<u>61,976</u>
Total Net Assets Released from Restrictions	<u>\$ 176,400</u>	\$	<u>314,293</u>

NOTE 16 - DEFINED CONTRIBUTION RETIREMENT PLAN

The Organization maintains a defined contribution retirement plan under Section 401(a) of the Code. All employees are eligible to participate after 90 days of service and 18 years of age. The Organization's discretionary annual contribution is equal to 3% of the eligible employees' annual salary for 2019 and 5% of eligible employee's annual salary for 2018. In addition, the Organization has the option of making additional discretionary contributions. Employer contributions to the plan were \$100,008 and \$154,626 for 2019 and 2018, respectively. No discretionary contributions were made for the years ended June 30, 2019 and 2018.

NOTE 17 - CONTINGENCIES

The Organization receives funding in the form of state and federal grant programs. The use of grants is subject to further review by the granting agencies. Such reviews may result in the Organization having liabilities to the grantors. There are no known liabilities as a result of such reviews.

NOTE 18 - SUBSEQUENT EVENTS

In July 2019, CHI-Peterson, LLC, acquired three new properties with funds provided by Columbus House, Inc., through a note payable obtained from Citizens Bank in the amount of \$420,000 maturing July 2029. The note is secured by certain real property and requires monthly payments of \$2,787, including interest at 4.99%.



Supplementary Information

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF PROGRAM SERVICES EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

	Shelter and Services	Housing Services	Support Services	Outreach Program	Total
Personnel costs	\$ 2,207,904	\$ 1,853,177	\$ 1,505,306	\$ 575,206	\$ 6,141,593
Direct housing assistance	-	1,016,363	542,242	-	1,558,605
Occupancy	301,857	230,246	60,051	13,152	605,306
Professional fees and contractual service	116,849	79,598	140,387	58,188	395,022
Office expense	51,825	94,354	57,047	19,227	222,453
House and grounds supplies and services	159,282	80,029	5,682	5,041	250,034
Food and supplies	179,891	-	-	-	179,891
Insurance	66,330	41,655	29,638	10,561	148,184
Transportation and vehicle expense	32,671	35,129	67,609	13,833	149,242
Client support	16,623	22,814	13,345	20,105	72,887
Interest and bank fees	18,057	6,809	4,859	6,811	36,536
Consultants	19,921	9,552	-	-	29,473
Promotion	480	-	-	-	480
Total Expenses Before Depreciation	3,171,690	3,469,726	2,426,166	722,124	9,789,706
Depreciation	204,141	151,702	33,689	9,630	399,162
Total	\$ 3,375,831	\$ 3,621,428	\$ 2,459,855	\$ 731,754	\$ 10,188,868

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF PROGRAM SERVICES EXPENSES FOR THE YEAR ENDED JUNE 30, 2018

	Shelter and Services	Housing Services	Support Services	Outreach Program	Total
Personnel costs	\$ 2,080,858	\$ 1,779,542	\$ 1,397,576	\$ 526,423	\$ 5,784,399
Direct housing assistance	-	1,101,249	562,324	-	1,663,573
Occupancy	301,095	169,796	73,435	11,574	555,900
Professional fees and contractual services	112,849	64,663	117,151	57,229	351,892
Office expense	42,513	83,817	68,052	13,153	207,535
House and grounds supplies and services	161,916	38,181	5,780	4,859	210,736
Food and supplies	142,674	-	-	-	142,674
Insurance	62,786	47,692	17,949	9,351	137,778
Transportation and vehicle expense	26,669	34,502	65,256	10,905	137,332
Client support	18,093	15,390	13,555	25,693	72,731
Interest and bank fees	13,619	1,931	2,153	2,502	20,205
Consultants	10,206	9,979	973	-	21,158
Promotion	-	-	-	-	-
Total Expenses Before Depreciation	2,973,278	3,346,742	2,324,204	661,689	9,305,913
Depreciation	211,916	135,933	23,323	9,467	380,639
Total	\$ 3,185,194	\$ 3,482,675	\$ 2,347,527	\$ 671,156	\$ 9,686,552