

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 and 2017, 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, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 13, 2018 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
November 13, 2018

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 360,518	\$ 790,830
Investments	564,542	434,832
Grants receivable	538,243	261,714
Contract and other receivables	165,688	97,083
Client funds	238,202	111,501
Other assets	122,706	130,042
Restricted cash	113,197	93,240
Property, buildings and equipment, net	<u>10,456,325</u>	<u>10,707,470</u>
Total Assets	<u>\$ 12,559,421</u>	<u>\$ 12,626,712</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 681,875	\$ 754,019
Client funds liability	238,202	111,501
Line of credit	210,000	-
Notes payable, net	939,629	1,373,139
Refundable advances	189,294	391,237
CHFA advance	<u>2,885,400</u>	<u>2,885,400</u>
Total liabilities	<u>5,144,400</u>	<u>5,515,296</u>
Net Assets		
Unrestricted	7,049,846	6,577,070
Temporarily restricted	324,475	493,646
Permanently restricted	<u>40,700</u>	<u>40,700</u>
Total net assets	<u>7,415,021</u>	<u>7,111,416</u>
Total Liabilities and Net Assets	<u>\$ 12,559,421</u>	<u>\$ 12,626,712</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, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Support and Other Changes								
Federal and state grants	\$ 9,693,800	\$ -	\$ -	\$ 9,693,800	\$ 9,779,221	\$ -	\$ -	\$ 9,779,221
Contributions	1,102,974	129,230	-	1,232,204	771,030	250,006	-	1,021,036
Program fees	709,347	-	-	709,347	812,345	-	-	812,345
Other grants	42,998	-	-	42,998	22,000	-	-	22,000
Developer fees	159,022	-	-	159,022	-	-	-	-
Donated property and services	6,500	-	-	6,500	6,500	-	-	6,500
Other income	69,418	-	-	69,418	76,371	-	-	76,371
Special fundraising activities	25,264	15,892	-	41,156	18,750	11,411	-	30,161
Net assets released from restrictions	314,293	(314,293)	-	-	295,139	(295,139)	-	-
Total revenues, support and other changes	<u>12,123,616</u>	<u>(169,171)</u>	<u>-</u>	<u>11,954,445</u>	<u>11,781,356</u>	<u>(33,722)</u>	<u>-</u>	<u>11,747,634</u>
Expenses								
Program services	9,305,913	-	-	9,305,913	9,452,751	-	-	9,452,751
Management and general	1,757,855	-	-	1,757,855	2,045,083	-	-	2,045,083
Development and fundraising	336,846	-	-	336,846	299,737	-	-	299,737
Total expenses	<u>11,400,614</u>	<u>-</u>	<u>-</u>	<u>11,400,614</u>	<u>11,797,571</u>	<u>-</u>	<u>-</u>	<u>11,797,571</u>
Change in Net Assets Before Other Changes	<u>723,002</u>	<u>(169,171)</u>	<u>-</u>	<u>553,831</u>	<u>(16,215)</u>	<u>(33,722)</u>	<u>-</u>	<u>(49,937)</u>
Other Changes								
Depreciation	(402,557)	-	-	(402,557)	(396,445)	-	-	(396,445)
Loss on disposal of property, buildings and equipment	(2,942)	-	-	(2,942)	(72,740)	-	-	(72,740)
Gain on the acquisition of Wallingford Emergency Shelter	-	-	-	-	588,858	-	-	588,858
Forgiveness of refundable advance	155,273	-	-	155,273	-	-	-	-
Total other changes	<u>(250,226)</u>	<u>-</u>	<u>-</u>	<u>(250,226)</u>	<u>119,673</u>	<u>-</u>	<u>-</u>	<u>119,673</u>
Increase (Decrease) in Net Assets	<u>472,776</u>	<u>(169,171)</u>	<u>-</u>	<u>303,605</u>	<u>103,458</u>	<u>(33,722)</u>	<u>-</u>	<u>69,736</u>
Net Assets - Beginning of Year	<u>6,577,070</u>	<u>493,646</u>	<u>40,700</u>	<u>7,111,416</u>	<u>6,473,612</u>	<u>527,368</u>	<u>40,700</u>	<u>7,041,680</u>
Net Assets - End of Year	<u>\$ 7,049,846</u>	<u>\$ 324,475</u>	<u>\$ 40,700</u>	<u>\$ 7,415,021</u>	<u>\$ 6,577,070</u>	<u>\$ 493,646</u>	<u>\$ 40,700</u>	<u>\$ 7,111,416</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, 2018 AND 2017

	2018				2017			
	Program Services	Management and General	Development and Fundraising	Total	Program Services	Management and General	Development and Fundraising	Total
Personnel costs	\$ 5,784,399	\$ 1,569,415	\$ 278,214	\$ 7,632,028	\$ 5,935,372	\$ 1,788,085	\$ 243,090	\$ 7,966,547
Direct housing assistance	1,663,573	-	-	1,663,573	1,642,801	-	-	1,642,801
Occupancy	555,900	8,110	2,106	566,116	561,795	24,994	1,848	588,637
Professional fees and contractual services	351,892	61,056	14,330	427,278	348,409	53,857	14,770	417,036
Office expense	207,535	30,212	9,875	247,622	176,565	69,381	9,100	255,046
House and grounds supplies and services	210,736	3,414	1,435	215,585	191,090	10,799	1,143	203,032
Insurance	137,778	14,365	956	153,099	138,366	15,146	376	153,888
Food and supplies	142,674	-	-	142,674	148,409	-	-	148,409
Transportation and vehicle expense	137,332	875	979	139,186	141,835	4,946	1,289	148,070
Client support	72,731	-	-	72,731	134,154	-	-	134,154
Interest and bank fees	20,205	39,864	3,644	63,713	6,048	28,779	2,468	37,295
Consultants	21,158	30,520	-	51,678	23,526	49,087	-	72,613
Promotion	-	24	25,307	25,331	4,381	9	25,653	30,043
Total Expenses Before Depreciation	9,305,913	1,757,855	336,846	11,400,614	9,452,751	2,045,083	299,737	11,797,571
Depreciation	380,639	20,876	1,042	402,557	381,327	12,858	2,260	396,445
Total Expenses	\$ 9,686,552	\$ 1,778,731	\$ 337,888	\$ 11,803,171	\$ 9,834,078	\$ 2,057,941	\$ 301,997	\$ 12,194,016

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 303,605	\$ 69,736
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(28,367)	(25,905)
Depreciation	402,557	396,445
Amortization of notes payable issuance costs	446	75
Loss on disposal of property, buildings and equipment	2,942	72,740
Transfer of property, buildings and equipment to Shepherd Home Limited Partnership	427,194	-
Contribution received in the acquisition of Wallingford Emergency Shelter	-	(588,858)
Gain on forgiveness of refundable advance	(155,273)	-
(Increase) decrease in operating assets:		
Cash acquired from Wallingford Emergency Shelter	-	19,950
Grants receivable	(276,529)	135,967
Contract and other receivables	(68,605)	(35,368)
Pledges receivable	-	50,000
Client funds	(126,701)	11,967
Other assets	7,336	(42,636)
Restricted cash	(19,957)	(27,078)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(72,144)	43,734
Client funds liability	126,701	(11,967)
Refundable advances	(46,670)	63,747
Net cash provided by operating activities	<u>476,535</u>	<u>132,549</u>
Cash Flows from Investing Activities		
(Purchases) sales of investments	(101,343)	13,597
Acquisition of property, buildings and equipment	(581,548)	(493,243)
Net cash used in investing activities	<u>(682,891)</u>	<u>(479,646)</u>
Cash Flows from Financing Activities		
Proceeds from line of credit	210,000	-
Repayments on notes payable	(533,956)	(257,541)
Proceeds from note payable	100,000	994,725
Payments of notes payable issuance costs	-	(8,950)
Net cash provided by (used in) financing activities	<u>(223,956)</u>	<u>728,234</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(430,312)	381,137
Cash and Cash Equivalents - Beginning of Year	<u>790,830</u>	<u>409,693</u>
Cash and Cash Equivalents - End of Year	<u>\$ 360,518</u>	<u>\$ 790,830</u>
Cash Paid During the Year for Interest	\$ 44,027	\$ 21,432

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 toward 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. Columbus House, CH Supportive Housing-1, LLC, and Shepherd Home Supportive Housing, LLC, are collectively referred to as the Organization.

Effective July 29, 2016, the Organization acquired the Wallingford Emergency Shelter, Inc. (WES), a nonprofit corporation located in Wallingford, Connecticut, which specializes in providing assistance to the homeless. Assets transferred include all real property and any cash remaining after WES satisfied all creditors. The Organization has not assumed any liabilities of WES. As a result of the acquisition, for June 30, 2017, the Organization has recorded cash and cash equivalents of \$19,950 and the fair value of property, buildings and equipment acquired of \$568,908 on the consolidated statements of financial position, and a gain on the acquisition of \$588,858 on the consolidated statements of activities.

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 health care visits and work towards getting appropriate housing.

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.

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Housing Services

Columbus House provided housing and services to over 400 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 is 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. The Organization is currently the preferred developer on a similar project in Middletown, where a single site is being renovated 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

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, and Shepherd Home Supportive Housing, 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:

Unrestricted Net Assets

Unrestricted net assets 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, 2018 and 2017.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or time.

Permanently Restricted Net Assets

Permanently restricted net assets represent resources that have donor-imposed restrictions to be maintained in perpetuity. The Organization's permanently restricted net assets 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.

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.

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2018 and 2017.

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, 2018 and 2017.

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.

Governmental Grants

Governmental grant revenue is recognized to the extent that allowable expenditures have been incurred. Grant receipts in excess of expenditures are recognized as refundable advances.

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 temporarily restricted contributions 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, temporarily restricted net assets are reclassified to unrestricted net assets 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.

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 periodic time and expense studies. 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 Mary Shepherd Home Supportive Housing, 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 Mary Shepherd Home Supportive Housing, LLC, is included in the Columbus House Form 990.

Subsequent Events

In preparing these consolidated financial statements, management has evaluated subsequent events through November 13, 2018, which represents the date the consolidated financial statements were available to be issued.

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 acquire, construct, 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.

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Organization is contingently liable for the satisfaction of all liabilities of Shepherd Home Limited Partnership. The construction phase is ongoing with an estimated completion date of January 2019. As of June 30, 2018, the Organization has recorded \$1,506 of accounts payable to Shepherd Home Limited Partnership. Summarized unaudited financial data for Shepherd Home Limited Partnership as of June 30, 2018 are as follows:

Assets	\$ 2,606,275
Liabilities	<u>2,456,550</u>
Partners' Capital	\$ <u>149,725</u>
Revenues	\$ 150,001
Expenses	<u>276</u>
Net Gain	\$ <u>149,725</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.

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.

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2018 and 2017.

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, 2018 and 2017:

	2018			
	Level 1	Level 2	Level 3	Total
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>

	2017			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Equity	\$ 106,939	\$ -	\$ -	\$ 106,939
Fixed income	51,161	-	-	51,161
Total Assets at Fair Value	\$ <u>158,100</u>	\$ <u>-</u>	\$ <u>-</u>	158,100
Certificates of deposit, at cost				<u>276,732</u>
Investments				\$ <u>434,832</u>

There were no transfers between levels of investments during the years ended June 30, 2018 and 2017.

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - PROPERTY, BUILDINGS AND EQUIPMENT

Property, buildings and equipment as of June 30, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 470,336	\$ 470,336
Buildings and improvements	12,118,136	11,858,592
Furniture and equipment	748,371	985,399
Leasehold improvements	479,341	476,738
Vehicles	141,818	70,606
Construction in progress	<u>262,325</u>	<u>474,379</u>
	14,220,327	14,336,050
Less accumulated depreciation	<u>3,764,002</u>	<u>3,628,580</u>
Property, Buildings and Equipment, Net	<u>\$ 10,456,325</u>	<u>\$ 10,707,470</u>

NOTE 6 - 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 7 - LINE OF CREDIT

The Organization has an available line of credit of \$1,000,000 that expires on March 31, 2019. The line bears interest at 3% above the LIBOR Advantage Rate (5.047% at June 30, 2018) and is secured by substantially all of the Organization's assets. The total outstanding balance on this line of credit agreement was \$210,000 and \$-0- as of June 30, 2018 and 2017, respectively.

NOTE 8 - NOTES PAYABLE

Notes payable consists of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</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.	\$ 245,169	\$ 260,328
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.	572,888	591,686
Note payable to Supportive Housing Solutions Fund, LLC, with payment due on the earlier of closing of construction financing or August 1, 2018, and interest at 6%, due at payoff of the note. The note is unsecured.	-	400,000
	<u>948,057</u>	<u>1,382,014</u>
Less unamortized issuance costs	<u>8,428</u>	<u>8,875</u>
Notes Payable, Net	<u>\$ 939,629</u>	<u>\$ 1,373,139</u>

Future maturities of long-term debt at June 30, 2018 are as follows:

Year Ending June 30

2019	\$	36,334
2020		38,047
2021		39,839
2022		41,715
2023		43,682
Thereafter		<u>748,440</u>
	\$	<u>948,057</u>

NOTE 9 - CHFA ADVANCE

CH Supportive Housing-1, LLC, contracted with the Connecticut Housing Finance Authority (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, 2018 and 2017, the Organization had received and expended \$2,885,400.

The CHFA contract also requires cash to be held in an escrow account. For the years ended June 30, 2018 and 2017, the balance held in escrow was \$113,197 and \$93,240, 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.

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - 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 March 2021.

Rent and vehicle lease expenses for the years ended June 30, 2018 and 2017, amounted to \$246,463 and \$265,602, respectively.

At June 30, 2018, minimum future rental payments under operating leases were as follows:

Year Ending June 30

2019	\$	128,099
2020		69,946
2021		<u>19,092</u>
	\$	<u>217,137</u>

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, 2018 and 2017, 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 11 - DONATED PROPERTY AND SERVICES

The Organization has recorded the estimated fair value of donated property and services as follows for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Included in revenue and support:		
Donated food	\$ 70,800	\$ 70,800
Donated rent	<u>6,500</u>	<u>6,500</u>
Total Donated In-Kind Support	<u>\$ 77,300</u>	<u>\$ 77,300</u>
Included in functional expenses:		
Food and supplies	\$ 70,800	\$ 70,800
Occupancy	<u>6,500</u>	<u>6,500</u>
Total Expenses	<u>\$ 77,300</u>	<u>\$ 77,300</u>

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose or time periods at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Purposes:		
Program	\$ 254,559	\$ 387,053
Property, building and equipment	<u>69,916</u>	<u>106,593</u>
Total Temporarily Restricted Net Assets	<u>\$ 324,475</u>	<u>\$ 493,646</u>

NOTE 13 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the following purpose or time restrictions for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Purposes:		
Programs	\$ 252,317	\$ 235,190
Property, building and equipment	61,976	9,949
Time periods:		
Future period	<u>-</u>	<u>50,000</u>
Total Net Assets Released from Restrictions	<u>\$ 314,293</u>	<u>\$ 295,139</u>

NOTE 14 - 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 5% of the eligible employees' annual salary. In addition, the Organization has the option of making additional discretionary contributions. Employer contributions to the plan were \$154,626 and \$163,058 for 2018 and 2017, respectively. No discretionary contributions were made for the years ended June 30, 2018 and 2017.

NOTE 15 - 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.

Independent Auditors' Report on Supplementary Information

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

We have audited the consolidated financial statements of Columbus House, Inc. and Subsidiaries as of and for the years ended June 30, 2018 and 2017, and our report thereon dated November 13, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 13, 2018

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

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

	<u>Shelter and Services</u>	<u>Housing Services</u>	<u>Support Services</u>	<u>Outreach Program</u>	<u>Total</u>
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 service	112,849	64,663	117,151	57,229	351,892
House and grounds supplies and services	161,916	38,181	5,780	4,859	210,736
Office expense	42,513	83,817	68,052	13,153	207,535
Food and supplies	142,674	-	-	-	142,674
Transportation and vehicle expense	62,786	47,692	17,949	9,351	137,778
Insurance	26,669	34,502	65,256	10,905	137,332
Client support	18,093	15,390	13,555	25,693	72,731
Consultants	10,206	9,979	973	-	21,158
Interest and bank fees	13,619	1,931	2,153	2,502	20,205
	<u>2,973,278</u>	<u>3,346,742</u>	<u>2,324,204</u>	<u>661,689</u>	<u>9,305,913</u>
Total Expenses Before Depreciation					
	<u>211,916</u>	<u>135,933</u>	<u>23,323</u>	<u>9,467</u>	<u>380,639</u>
Depreciation					
	<u>\$ 3,185,194</u>	<u>\$ 3,482,675</u>	<u>\$ 2,347,527</u>	<u>\$ 671,156</u>	<u>\$ 9,686,552</u>
Total					

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF PROGRAM SERVICES EXPENSES FOR THE YEAR ENDED JUNE 30, 2017

	Shelter and Services	Housing Services	Support Services	Outreach Program	Total
Personnel costs	\$ 2,087,388	\$ 1,734,621	\$ 1,596,735	\$ 516,628	\$ 5,935,372
Direct housing assistance	-	1,107,308	535,493	-	1,642,801
Occupancy	291,904	191,408	67,029	11,454	561,795
Professional fees and contractual services	142,392	55,522	96,349	54,146	348,409
House and grounds supplies and services	145,586	34,976	7,344	3,184	191,090
Office expense	36,566	78,306	50,440	11,253	176,565
Food and supplies	147,486	698	-	225	148,409
Transportation and vehicle expense	17,377	45,517	65,644	13,297	141,835
Insurance	52,602	38,351	33,759	13,654	138,366
Client support	33,172	38,085	33,926	28,971	134,154
Consultants	14,247	9,279	-	-	23,526
Interest and bank fees	-	6,048	-	-	6,048
Promotion	-	4,381	-	-	4,381
Total Expenses Before Depreciation	2,968,720	3,344,500	2,486,719	652,812	9,452,751
Depreciation	202,126	149,227	20,833	9,141	381,327
Total	\$ 3,170,846	\$ 3,493,727	\$ 2,507,552	\$ 661,953	\$ 9,834,078