

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019

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, 2020 and 2019, 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, 2020 and 2019, 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 Principles

As discussed in Note 2, during the year ended June 30, 2020, the Organization adopted Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, and Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to these matters.

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 December 9, 2020 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
December 9, 2020

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,082,243	\$ 173,769
Investments	561,108	563,636
Grants receivable	964,050	264,122
Contract and other receivables	286,857	277,747
Client funds	265,556	217,906
Other assets	176,406	146,233
Restricted cash	263,755	163,298
Property, buildings and equipment, net	<u>12,440,075</u>	<u>12,088,904</u>
Total Assets	<u>\$ 16,040,050</u>	<u>\$ 13,895,615</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 985,383	\$ 738,963
Client funds liability	265,556	217,906
Line of credit	-	455,000
Notes payable, net	1,288,909	904,499
Refundable advances	1,368,630	270,119
CHFA mortgages payable	412,690	432,559
CHFA advances	<u>2,885,400</u>	<u>2,885,400</u>
Total liabilities	<u>7,206,568</u>	<u>5,904,446</u>
Net Assets		
Without donor restrictions	8,358,024	7,689,653
With donor restrictions	<u>475,458</u>	<u>301,516</u>
Total net assets	<u>8,833,482</u>	<u>7,991,169</u>
Total Liabilities and Net Assets	<u>\$ 16,040,050</u>	<u>\$ 13,895,615</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, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Support and Other Changes						
Federal and state grants	\$ 10,873,142	\$ -	\$ 10,873,142	\$ 9,682,772	\$ -	\$ 9,682,772
Contributions	1,586,673	282,352	1,869,025	1,306,790	112,741	1,419,531
Program fees	1,008,047	-	1,008,047	791,267	-	791,267
Other grants	97,829	-	97,829	146,685	-	146,685
Developer fees	340,785	-	340,785	-	-	-
Donated rent	6,500	-	6,500	6,500	-	6,500
Other income	233,652	-	233,652	170,906	-	170,906
Special fundraising activities	23,500	-	23,500	53,576	-	53,576
Net assets released from restrictions	108,410	(108,410)	-	176,400	(176,400)	-
Total revenues, support and other changes	<u>14,278,538</u>	<u>173,942</u>	<u>14,452,480</u>	<u>12,334,896</u>	<u>(63,659)</u>	<u>12,271,237</u>
Expenses						
Program services	11,104,329	-	11,104,329	9,789,706	-	9,789,706
Management and general	1,886,294	-	1,886,294	1,653,061	-	1,653,061
Development and fundraising	357,347	-	357,347	358,290	-	358,290
Total expenses	<u>13,347,970</u>	<u>-</u>	<u>13,347,970</u>	<u>11,801,057</u>	<u>-</u>	<u>11,801,057</u>
Change in Net Assets Before Other Changes	<u>930,568</u>	<u>173,942</u>	<u>1,104,510</u>	<u>533,839</u>	<u>(63,659)</u>	<u>470,180</u>
Other Changes						
Depreciation	(456,799)	-	(456,799)	(416,423)	-	(416,423)
Gain on the acquisition of CHI-Peterson, LLC properties	194,602	-	194,602	522,391	-	522,391
Total other changes	<u>(262,197)</u>	<u>-</u>	<u>(262,197)</u>	<u>105,968</u>	<u>-</u>	<u>105,968</u>
Increase (Decrease) in Net Assets	668,371	173,942	842,313	639,807	(63,659)	576,148
Net Assets - Beginning 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>
Net Assets - End of Year	<u>\$ 8,358,024</u>	<u>\$ 475,458</u>	<u>\$ 8,833,482</u>	<u>\$ 7,689,653</u>	<u>\$ 301,516</u>	<u>\$ 7,991,169</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, 2020 AND 2019

	2020				2019			
	Program Services	Management and General	Development and Fundraising	Total	Program Services	Management and General	Development and Fundraising	Total
Personnel costs	\$ 7,252,815	\$ 1,582,478	\$ 286,604	\$ 9,121,897	\$ 6,135,679	\$ 1,461,688	\$ 285,896	\$ 7,883,263
Direct housing assistance	1,618,742	-	-	1,618,742	1,558,605	-	-	1,558,605
Occupancy	623,235	17,059	1,523	641,817	605,306	13,340	2,498	621,144
Professional fees and contractual services	513,485	63,674	14,450	591,609	395,022	54,976	15,521	465,519
Office expense	225,037	46,071	8,664	279,772	228,367	51,115	11,639	291,121
House and grounds supplies and services	258,046	24,562	1,192	283,800	250,034	6,785	1,255	258,074
Food and supplies	181,421	-	-	181,421	179,891	240	-	180,131
Insurance	131,730	43,384	1,053	176,167	148,184	12,333	1,309	161,826
Transportation and vehicle expense	141,651	5,539	757	147,947	149,242	565	1,619	151,426
Client support	82,225	34	-	82,259	72,887	-	-	72,887
Interest and bank fees	38,618	36,425	5,948	80,991	36,536	27,584	3,824	67,944
Consultants	37,324	67,068	2,906	107,298	29,473	24,435	-	53,908
Promotion	-	-	34,250	34,250	480	-	34,729	35,209
Total Expenses Before Depreciation	11,104,329	1,886,294	357,347	13,347,970	9,789,706	1,653,061	358,290	11,801,057
Depreciation	428,914	26,236	1,649	456,799	399,162	16,259	1,002	416,423
Total Expenses	\$ 11,533,243	\$ 1,912,530	\$ 358,996	\$ 13,804,769	\$ 10,188,868	\$ 1,669,320	\$ 359,292	\$ 12,217,480

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 842,313	\$ 576,148
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	1,209	(14,531)
Depreciation	456,799	416,423
Amortization of notes payable issuance costs	447	449
Gain on the acquisition of CHI-Peterson, LLC properties	(194,602)	(522,391)
(Increase) decrease in operating assets:		
Cash received in acquisition of CHI-Peterson, LLC properties	112,212	31,689
Grants receivable	(699,928)	274,121
Contract and other receivables	(9,110)	(112,059)
Client funds	(47,650)	20,296
Other assets	(30,173)	(23,527)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	246,420	57,088
Client funds liability	47,650	(20,296)
Refundable advances	1,098,511	80,825
Net cash provided by operating activities	<u>1,824,098</u>	<u>764,235</u>
Cash Flows from Investing Activities		
Sales of investments	1,319	15,437
Acquisition of property, buildings and equipment	<u>(305,580)</u>	<u>(1,113,052)</u>
Net cash used in investing activities	<u>(304,261)</u>	<u>(1,097,615)</u>
Cash Flows from Financing Activities		
Proceeds from (payments on) line of credit	(455,000)	245,000
Repayments on notes payable	(36,037)	(35,579)
Repayments on CHFA mortgages	<u>(19,869)</u>	<u>(12,689)</u>
Net cash provided by (used in) financing activities	<u>(510,906)</u>	<u>196,732</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	1,008,931	(136,648)
Cash and Cash Equivalents and Restricted Cash - Beginning of Year	<u>337,067</u>	<u>473,715</u>
Cash and Cash Equivalents and Restricted Cash - End of Year	<u>\$ 1,345,998</u>	<u>\$ 337,067</u>
Cash Paid During the Year for Interest	\$ 52,839	\$ 42,916

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. In the 2019 fiscal year, CHI-Peterson, LLC, acquired 25 Green Street and 54 Grand Street, which are affordable housing properties funded by the Connecticut Housing Finance Authority (CHFA). Effective July 17, 2019, CHI-Peterson, LLC, acquired 38 Ferry Street, 519 High Street, and 40 Walnut Street. Assets assumed in the acquisition in the current year include all real property. As of June 30, 2020, CHI-Peterson, LLC, has recorded restricted cash of \$75,869, the fair value of property, buildings and equipment acquired of \$502,390 and \$420,000 note payable on the consolidated statements of financial position, and a gain on the acquisition of \$194,602 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.

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Housing Services

Columbus House provided housing and services to over 450 individuals and families in 2020 and 2019 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.

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 June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendment clarifies guidance on how an entity determines whether a transfer of assets is a contribution or exchange transaction. The amendment also clarifies the determination of conditional contributions based on evaluating whether there is a right of return and a barrier to overcome. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified prospective method, in which case the effect of applying the standard would be recognized for any agreements not completed and any new agreements entered into at the date of initial application. The new standard is effective for annual reporting periods beginning after December 15, 2018. Management has adopted ASU 2018-08 for the year ended June 30, 2020. The amendments have been applied using the modified prospective method. There was no cumulative effect of applying ASU 2018-08.

In November 2016, the Financial Accounting Standards Board issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which provides guidance on the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. This ASU is effective for annual periods beginning after December 15, 2018. The Organization has adopted the amendments for the year ended June 30, 2020. As a result, amounts shown on the statement of cash flows include cash and cash equivalents and restricted cash.

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, 2020 and 2019.

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.

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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, 2020 and 2019. 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, 2020 and 2019.

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.

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contributions, Including Government Grants and Contracts

In accordance with ASU 2018-08, certain governmental grants and contracts received by a not-for-profit, including certain awards to fund capital expenditures, are generally considered to be contributions rather than exchange transactions since there was not commensurate value transferred between the resource provider and the Organization. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

The Organization reports contributions of cash and other assets as donor restricted support 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 donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented as net assets without donor restrictions. Transfers of assets from a resource provider received before the barriers are overcome are reported as deferred revenue on the accompanying consolidated statements of financial position.

Conditional governmental grants and contracts not recognized as revenue as of June 30, 2020 total \$14,234,441. Government grants and contracts are conditioned on incurring qualified program expenses, meeting performance measures and availability of funds for multi-year contracts.

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.

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 reclassifications have been made to the 2019 amounts to conform to the current year presentation.

Subsequent Events

In preparing these consolidated financial statements, management has evaluated subsequent events through December 9, 2020, 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 in 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 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 were occupied. As of June 30, 2020, the Organization has recorded \$378,481 of accounts receivable from Shepherd Home Limited Partnership for unreimbursed expenses. Summarized unaudited financial data for Shepherd Home Limited Partnership as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Assets	\$ 12,699,945	\$ 8,154,691
Liabilities	<u>8,865,043</u>	<u>8,160,840</u>
Partners' Surplus (Deficit)	\$ <u>3,834,902</u>	\$ <u>(6,149)</u>
Revenues	\$ 181,270	\$ -
Expenses	<u>155,488</u>	<u>5,873</u>
Net Income (Loss)	\$ <u>25,782</u>	\$ <u>(5,873)</u>

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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, 2020 and 2019.

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.

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following tables set forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2020 and 2019:

	2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equity	\$ 263,037	\$ -	\$ -	\$ 263,037
Fixed income	<u>50,285</u>	<u>-</u>	<u>-</u>	<u>50,285</u>
Total Assets at Fair Value	<u>\$ 313,322</u>	<u>\$ -</u>	<u>\$ -</u>	313,322
Certificates of deposit, at cost				<u>247,786</u>
Investments				<u>\$ 561,108</u>

	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>

There were no transfers between levels of investments during the years ended June 30, 2020 and 2019.

NOTE 5 - PROPERTY, BUILDINGS AND EQUIPMENT

Property, buildings and equipment as of June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 774,837	\$ 470,336
Buildings and improvements	14,327,346	14,105,869
Furniture and equipment	832,366	753,317
Leasehold improvements	664,147	480,441
Vehicles	203,020	172,661
Construction in progress	<u>273,475</u>	<u>286,706</u>
	17,075,191	16,269,330
Less accumulated depreciation	<u>4,635,116</u>	<u>4,180,426</u>
Property, Buildings and Equipment, Net	<u>\$ 12,440,075</u>	<u>\$ 12,088,904</u>

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,082,243	\$ 173,769
Investments	258,098	260,626
Grants receivable	964,050	264,122
Contracts and other receivables	<u>112,041</u>	<u>102,931</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$ 2,416,432</u>	<u>\$ 801,448</u>

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 Webster Bank of \$1,000,000 available at June 30, 2020 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 had an available line of credit from Citizen's Bank of \$1,000,000 that was terminated in July 2019. The line bore interest at 3% above the LIBOR Advantage Rate and was secured by substantially all of the Organization's assets. The total outstanding balance on this line of credit agreement was \$455,000 as of June 30, 2019.

The Organization has an available line of credit from Webster Bank of \$1,000,000 that expires on February 13, 2021. The line bears interest at 3.25%, the Prime Rate, and is secured by substantially all of the Organization's assets. The total outstanding balance on this line of credit agreement was \$-0- as of June 30, 2020.

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - NOTES PAYABLE

Notes payable consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</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.	\$ 216,830	\$ 229,264
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
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.	537,880	553,214
Note payable to Citizens Bank, due July 2029, with monthly payments of \$2,787 including interest at 4.99%, secured by certain real property.	411,732	-
	<u>1,296,442</u>	<u>912,478</u>
Less unamortized issuance costs	7,533	7,979
Notes Payable, Net	<u>\$ 1,288,909</u>	<u>\$ 904,499</u>

Future maturities of long-term debt at June 30, 2020 are as follows:

Year Ending June 30

2021	\$ 53,209
2022	55,767
2023	58,451
2024	61,263
2025	64,211
Thereafter	<u>1,003,541</u>
	<u>\$ 1,296,442</u>

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - CHFA MORTGAGES

CHFA mortgages payable consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Mortgage payable to CHFA, due June 2023, with monthly payments of \$1,540, including interest at 2%, secured by certain real property.	\$ 55,171	\$ 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	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.	211,648	214,299
Mortgage payable to CHFA, due upon sale of property, interest at 0%, secured by certain real property.	<u>87,871</u>	<u>87,871</u>
Mortgages Payable	<u>\$ 412,690</u>	<u>\$ 432,559</u>

Future maturities of CHFA mortgages at June 30, 2020 are as follows:

Year Ending June 30

2021	\$ 17,567
2022	17,921
2023	19,683
2024	2,881
2025	3,408
Thereafter	<u>351,230</u>
	<u>\$ 412,690</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, 2020 and 2019, 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, 2020 and 2019, the balance held in escrow was \$263,755 and \$163,298, 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 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 December 2025.

Rent and vehicle lease expenses for the years ended June 30, 2020 and 2019 amounted to \$220,025 and \$229,016, respectively.

At June 30, 2020, minimum future rental payments under operating leases were as follows:

Year Ending June 30

2021	\$	144,944
2022		86,614
2023		57,156
2024		22,823
2025		<u>2,016</u>
	\$	<u><u>313,553</u></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, 2020 and 2019, 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Included in revenue, support and other changes		
Donated food (included in contributions)	\$ 85,103	\$ 113,350
Donated rent	<u>6,500</u>	<u>6,500</u>
Total Donated In-Kind Support	<u><u>\$ 91,603</u></u>	<u><u>\$ 119,850</u></u>
Included in functional expenses:		
Food and supplies	\$ 85,103	\$ 113,350
Occupancy	<u>6,500</u>	<u>6,500</u>
Total Expenses	<u><u>\$ 91,603</u></u>	<u><u>\$ 119,850</u></u>

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purpose or time periods at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land held in perpetuity for the benefit of low-income persons	\$ 40,700	\$ 40,700
Purposes:		
Program	\$ 311,931	\$ 236,184
Property, building and equipment	<u>122,827</u>	<u>24,632</u>
Total Net Assets with Donor Restrictions	<u>\$ 475,458</u>	<u>\$ 301,516</u>

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Programs	\$ 101,455	\$ 131,115
Property, building and equipment	<u>6,955</u>	<u>45,285</u>
Total Net Assets Released from Restrictions	<u>\$ 108,410</u>	<u>\$ 176,400</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 2020 and 2019. In addition, the Organization has the option of making additional discretionary contributions. Employer contributions to the plan were \$97,056 and \$100,008 for 2020 and 2019, respectively. No discretionary contributions were made for the years ended June 30, 2020 and 2019.

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.

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 - CORONAVIRUS

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. As a result of the spread of coronavirus, economic uncertainties have arisen which have resulted in significant volatility in the investment markets.

On March 10, 2020, Connecticut Governor Ned Lamont declared a Public Health and Civil Preparedness Emergency. As a result, the Organization closed all shelters in March 2020. The Organization began offering shelter to the homeless in hotel locations around New Haven.

On April 19, 2020, the Organization received a Paycheck Protection Program (PPP) loan of \$1,820,292 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Organization considers PPP loans to be conditional contributions, with a right-of return in the form of an obligation to be repaid if barriers to entitlement are not met. These barriers include incurring qualifying expenses and maintaining certain levels of employee headcount and salary during a measurement period. The Organization considers reviews of our application for forgiveness by the lender and the SBA as well as potential audits to be administrative in nature rather than barriers to entitlement. During the year ended June 30, 2020, the Organization recognized \$719,534 in federal and state grants income based on the amount of qualifying expenditures incurred and employee headcount and salary levels maintained through June 30, 2020. The remaining balance of \$1,100,758 of the PPP loan is classified as a refundable advance on the accompanying statement of financial position. At the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. Any portion of the loan that must be repaid will bear interest at a rate of 1% per annum and will be due and payable in full on April 19, 2022.

The duration of the uncertainties around the coronavirus and the ultimate financial effects cannot be reasonably estimated at this time.



Supplementary Information

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF PROGRAM SERVICES EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

	<u>Shelter and Services</u>	<u>Housing Services</u>	<u>Support Services</u>	<u>Outreach Program</u>	<u>Total</u>
Personnel costs	\$ 2,748,914	\$ 1,947,992	\$ 1,913,435	\$ 642,474	\$ 7,252,815
Direct housing assistance	-	1,099,506	519,236	-	1,618,742
Occupancy	250,981	271,939	77,940	22,375	623,235
Professional fees and contractual service	115,539	97,495	225,832	74,619	513,485
House and grounds supplies and services	162,677	82,216	7,759	5,394	258,046
Office expense	49,620	111,153	50,917	13,347	225,037
Food and supplies	161,845	-	19,576	-	181,421
Transportation and vehicle expense	28,280	29,814	65,610	17,947	141,651
Insurance	60,569	35,984	23,932	11,245	131,730
Client support	20,783	33,694	16,359	11,389	82,225
Interest and bank fees	12,784	16,991	3,631	5,212	38,618
Consultants	17,543	19,368	413	-	37,324
Total Expenses Before Depreciation	<u>3,629,535</u>	<u>3,746,152</u>	<u>2,924,640</u>	<u>804,002</u>	<u>11,104,329</u>
Depreciation	<u>218,189</u>	<u>168,201</u>	<u>33,734</u>	<u>8,790</u>	<u>428,914</u>
Total	<u>\$ 3,847,724</u>	<u>\$ 3,914,353</u>	<u>\$ 2,958,374</u>	<u>\$ 812,792</u>	<u>\$ 11,533,243</u>

COLUMBUS HOUSE, INC. AND SUBSIDIARIES

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

	<u>Shelter and Services</u>	<u>Housing Services</u>	<u>Support Services</u>	<u>Outreach Program</u>	<u>Total</u>
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 services	116,849	79,598	140,387	58,188	395,022
House and grounds supplies and services	159,282	80,029	5,682	5,041	250,034
Office expense	51,825	94,354	57,047	19,227	222,453
Food and supplies	179,891	-	-	-	179,891
Transportation and vehicle expense	32,671	35,129	67,609	13,833	149,242
Insurance	66,330	41,655	29,638	10,561	148,184
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	<u>3,171,690</u>	<u>3,469,726</u>	<u>2,426,166</u>	<u>722,124</u>	<u>9,789,706</u>
Depreciation	<u>204,141</u>	<u>151,702</u>	<u>33,689</u>	<u>9,630</u>	<u>399,162</u>
Total	<u>\$ 3,375,831</u>	<u>\$ 3,621,428</u>	<u>\$ 2,459,855</u>	<u>\$ 731,754</u>	<u>\$ 10,188,868</u>