

HANDS ON HARTFORD, INC.

Audited Financial Statements

December 31, 2015 and 2014

HANDS ON HARTFORD, INC.

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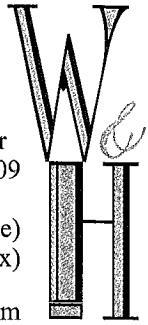
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hands on Hartford, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Hands on Hartford, Inc. which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly in all material respects, the financial position of Hands on Hartford, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Whittlesey & Hawley, P.C.

Hartford, Connecticut
June 14, 2016

HANDS ON HARTFORD, INC.

Statements of Financial Position

December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---------------------------------------|---------------------|---------------------|
| Assets | | |
| <i>Current Assets:</i> | | |
| Cash | \$ 199,338 | \$ 100,690 |
| Grants and accounts receivable | 179,618 | 289,938 |
| Note receivable - current | - | 600,000 |
| Inventory of gift cards | 10,685 | 4,785 |
| Prepaid expense | 10,863 | 21,673 |
| Total current assets | <u>400,504</u> | <u>1,017,086</u> |
| <i>Property and equipment:</i> | | |
| Building and land | 1,786,900 | 1,786,900 |
| Construction in progress | 4,783,665 | 362,451 |
| Furniture and equipment | 105,602 | 84,214 |
| Total | <u>6,676,167</u> | <u>2,233,565</u> |
| Less accumulated depreciation | (82,140) | (74,570) |
| Property and equipment, net | <u>6,594,027</u> | <u>2,158,995</u> |
| <i>Other assets:</i> | | |
| Restricted cash | 141,638 | 3,798,204 |
| | <u>141,638</u> | <u>3,798,204</u> |
| Total assets | <u>\$ 7,136,169</u> | <u>\$ 6,974,285</u> |

HANDS ON HARTFORD, INC.

Statements of Financial Position (continued)

December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|------------------------------------|---------------------|---------------------|
| Liabilities and Net Assets | | |
| <i>Current liabilities:</i> | | |
| Accounts payable | \$ 710 | \$ 7,650 |
| Accounts payable - construction | 341,150 | - |
| Accrued expenses | 57,545 | 204,130 |
| Deferred grant revenue | 103,162 | 315,158 |
| Total current liabilities | <u>502,567</u> | <u>526,938</u> |
| <i>Net assets:</i> | | |
| Unrestricted: | | |
| Undesignated | 298,045 | 289,258 |
| Board designated for facility | 6,069,951 | 4,461,813 |
| Total unrestricted | <u>6,367,996</u> | <u>4,751,071</u> |
| Temporarily restricted | 126,342 | 1,557,012 |
| Permanently restricted | 139,264 | 139,264 |
| Total net assets | <u>6,633,602</u> | <u>6,447,347</u> |
| Total liabilities and net assets | <u>\$ 7,136,169</u> | <u>\$ 6,974,285</u> |

HANDS ON HARTFORD, INC.

Statement of Activities

For the year ended December 31, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---------------------------------------|---------------------|---------------------------|---------------------------|---------------------|
| Changes in net assets: | | | | |
| Support: | | | | |
| Contributions | \$ 352,728 | \$ 69,520 | \$ - | \$ 422,248 |
| Religious contributions | 37,265 | - | - | 37,265 |
| In-kind food contributions | 244,878 | - | - | 244,878 |
| In-kind facility rent | 120,000 | - | - | 120,000 |
| Other in-kind contributions | 29,708 | - | - | 29,708 |
| Total support | <u>784,579</u> | <u>69,520</u> | <u>-</u> | <u>854,099</u> |
| Revenue: | | | | |
| Program grants | 1,730,656 | 54,413 | - | 1,785,069 |
| Resident and program fees | 64,615 | - | - | 64,615 |
| Interest income | 2,722 | 350 | - | 3,072 |
| Total revenue | <u>1,797,993</u> | <u>54,763</u> | <u>-</u> | <u>1,852,756</u> |
| Net assets released from restrictions | <u>1,554,953</u> | <u>(1,554,953)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue | <u>4,137,525</u> | <u>(1,430,670)</u> | <u>-</u> | <u>2,706,855</u> |
| Functional expenses: | | | | |
| Program services | 2,076,075 | - | - | 2,076,075 |
| Supporting services | 444,525 | - | - | 444,525 |
| Total functional expenses | <u>2,520,600</u> | <u>-</u> | <u>-</u> | <u>2,520,600</u> |
| Change in net assets | 1,616,925 | (1,430,670) | - | 186,255 |
| Net assets, beginning of year | 4,751,071 | 1,557,012 | 139,264 | 6,447,347 |
| Net assets, end of year | <u>\$ 6,367,996</u> | <u>\$ 126,342</u> | <u>\$ 139,264</u> | <u>\$ 6,633,602</u> |

HANDS ON HARTFORD, INC.

Statement of Activities

For the year ended December 31, 2014

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Changes in net assets: | | | | |
| Support: | | | | |
| Contributions | \$ 224,682 | \$ - | \$ - | \$ 224,682 |
| Religious contributions | 43,255 | - | - | 43,255 |
| In-kind food contributions | 252,961 | - | - | 252,961 |
| In-kind facility rent | 120,000 | - | - | 120,000 |
| Other in-kind contributions | 49,518 | - | - | 49,518 |
| Total support | <u>690,416</u> | <u>-</u> | <u>-</u> | <u>690,416</u> |
| Revenue: | | | | |
| Program grants | 1,137,257 | 293,627 | - | 1,430,884 |
| Resident and program fees | 66,346 | - | - | 66,346 |
| Interest income | 7,216 | 358 | - | 7,574 |
| Total revenue | <u>1,210,819</u> | <u>293,985</u> | <u>-</u> | <u>1,504,804</u> |
| Net assets released from restrictions | <u>174,668</u> | <u>(174,668)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue | <u>2,075,903</u> | <u>119,317</u> | <u>-</u> | <u>2,195,220</u> |
| Functional expenses: | | | | |
| Program services | 2,120,623 | - | - | 2,120,623 |
| Supporting services | 422,374 | - | - | 422,374 |
| Total functional expenses | <u>2,542,997</u> | <u>-</u> | <u>-</u> | <u>2,542,997</u> |
| Change in net assets | (467,094) | 119,317 | - | (347,777) |
| Other change in net assets | | | | |
| Repayment of start-up costs | <u>(300,000)</u> | <u>-</u> | <u>-</u> | <u>(300,000)</u> |
| Total change in net assets | <u>(767,094)</u> | <u>119,317</u> | <u>-</u> | <u>(647,777)</u> |
| Net assets, beginning of year | <u>5,518,165</u> | <u>1,437,695</u> | <u>139,264</u> | <u>7,095,124</u> |
| Net assets, end of year | <u>\$ 4,751,071</u> | <u>\$ 1,557,012</u> | <u>\$ 139,264</u> | <u>\$ 6,447,347</u> |

HANDS ON HARTFORD, INC.

Statements of Cash Flows

For the years ended December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| Operating Activities: | | |
| Change in net assets | \$ 186,255 | \$ (647,777) |
| Adjustments to reconcile change in net assets to cash provided by (used in) operating activities | | |
| Depreciation | 7,570 | 4,166 |
| Grants and accounts receivable | 110,320 | (178,809) |
| Inventory of gift cards | (5,900) | 2,216 |
| Prepaid expense | 10,810 | 9,313 |
| Accrued expenses | (146,585) | 78,589 |
| Deferred grant revenue | (211,996) | 299,526 |
| Accounts payable | 334,210 | (2,775) |
| | <u>284,684</u> | <u>(435,551)</u> |
| Change in cash from operating activities | | |
| Investing Activities: | | |
| Purchase of property and equipment | (4,442,602) | (231,538) |
| Note receivable | 600,000 | 2,400,000 |
| Additions to restricted cash | 3,656,566 | (1,791,043) |
| | <u>(186,036)</u> | <u>377,419</u> |
| Change in cash from investing activities | | |
| Financing Activities: | | |
| Repayment of capital lease obligations | - | (1,765) |
| | <u>-</u> | <u>(1,765)</u> |
| Net change in cash | 98,648 | (59,897) |
| Cash, beginning of year | 100,690 | 160,587 |
| Cash, end of year | <u>\$ 199,338</u> | <u>\$ 100,690</u> |
| Supplemental disclosures of cash flow data: | | |
| Interest paid | <u>\$ -</u> | <u>\$ 120</u> |

HANDS ON HARTFORD, INC.

Statement of Functional Expenses

For the year ended December 31, 2015

| | <u>Program Services</u> | <u>Supporting Services</u> | <u>Total</u> |
|--|-----------------------------|--------------------------------|---------------------|
| Personnel: | | | |
| Wages | \$ 768,291 | \$ 240,895 | \$ 1,009,186 |
| Employee benefits | 195,711 | 48,099 | 243,810 |
| Payroll taxes | 57,695 | 18,239 | 75,934 |
| Contractual services | 26,408 | 46,993 | 73,401 |
| Other personnel related expenses | 10,280 | 2,967 | 13,247 |
| Total personnel expenses | <u>1,058,385</u> | <u>357,193</u> | <u>1,415,578</u> |
| Operating expenses: | | | |
| Activities and events | 3,728 | 3,679 | 7,407 |
| Professional services | 13,657 | 9,206 | 22,863 |
| Interest expense/bank fees | - | 4,365 | 4,365 |
| Insurance | 59,095 | 14,336 | 73,431 |
| Office operations | 9,377 | 3,558 | 12,935 |
| Information technology | 41,180 | 26,945 | 68,125 |
| Program needs | 337,500 | - | 337,500 |
| Furniture and fixtures | 935 | 1,140 | 2,075 |
| Building operations | 156,303 | 17,862 | 174,165 |
| Depreciation and amortization | 1,629 | 5,941 | 7,570 |
| Total operating expenses | <u>623,404</u> | <u>87,032</u> | <u>710,436</u> |
| Total personnel and operating expenses | <u>1,681,789</u> | <u>444,225</u> | <u>2,126,014</u> |
| Other expenses: | | | |
| In-kind facility rent | 120,000 | - | 120,000 |
| In-kind food contributions | 244,878 | - | 244,878 |
| Other in-kind expense | 29,408 | 300 | 29,708 |
| Total other expenses | <u>394,286</u> | <u>300</u> | <u>394,586</u> |
| Total functional expenses | <u>\$ 2,076,075</u> | <u>\$ 444,525</u> | <u>\$ 2,520,600</u> |

HANDS ON HARTFORD, INC.

Statement of Functional Expenses

For the year ended December 31, 2014

| | <u>Program Services</u> | <u>Supporting Services</u> | <u>Total</u> |
|--|-----------------------------|--------------------------------|---------------------|
| Personnel: | | | |
| Wages | \$ 751,916 | \$ 221,257 | \$ 973,173 |
| Employee benefits | 187,180 | 41,812 | 228,992 |
| Payroll taxes | 56,313 | 16,794 | 73,107 |
| Contractual services | 43,460 | 44,910 | 88,370 |
| Other personnel related expenses | 10,721 | 2,791 | 13,512 |
| Total personnel expenses | <u>1,049,590</u> | <u>327,564</u> | <u>1,377,154</u> |
| Operating expenses: | | | |
| Activities and events | 2,335 | 1,911 | 4,246 |
| Professional services | 11,915 | 10,650 | 22,565 |
| Interest expense/bank fees | - | 5,799 | 5,799 |
| Insurance | 31,794 | 13,749 | 45,543 |
| Office operations | 9,040 | 4,374 | 13,414 |
| Information technology | 43,184 | 35,919 | 79,103 |
| Program needs | 314,343 | - | 314,343 |
| Furniture and fixtures | 8,506 | 235 | 8,741 |
| Building operations | 234,774 | 10,670 | 245,444 |
| Depreciation and amortization | 1,356 | 2,810 | 4,166 |
| Total operating expenses | <u>657,247</u> | <u>86,117</u> | <u>743,364</u> |
| Total personnel and operating expenses | <u>1,706,837</u> | <u>413,681</u> | <u>2,120,518</u> |
| Other expenses: | | | |
| In-kind facility rent | 120,000 | - | 120,000 |
| In-kind food contributions | 252,961 | - | 252,961 |
| Other in-kind expense | 40,825 | 8,693 | 49,518 |
| Total other expenses | <u>413,786</u> | <u>8,693</u> | <u>422,479</u> |
| Total functional expenses | <u>\$ 2,120,623</u> | <u>\$ 422,374</u> | <u>\$ 2,542,997</u> |

HANDS ON HARTFORD, INC.
Notes to the Financial Statements

December 31, 2015

NOTE 1 - AGENCY AND PURPOSE

Hands on Hartford, Inc. (the “Agency”) is a tax-exempt, nonprofit, nonsectarian agency whose mission is to strengthen community in Hartford by responding faithfully to people in need through programs that change lives and renew human possibility.

The Agency has four focus areas and fulfills its mission through the following programs located throughout the city:

Peter’s Retreat Provides safe supportive housing and intensive case management for men and women living with HIV/AIDS who would otherwise be homeless. Peter’s Retreat stabilizes, enriches, and lengthens the lives of people living with HIV/AIDS. In addition, supportive services are provided to the tenants of George Beach Apartments.

MANNA (Meals, Assistance, Neighbors, Nurturing, Advocacy) is a comprehensive basic needs program comprised of Community Meals (a soup kitchen), food pantry, assistance and advocacy, backpack nutrition program and Senior Community Café (a senior meal program). The MANNA programs provide nutrition for homeless, disabled, working poor individuals, emergency food assistance for families, seniors and disabled individuals and weekend meals for seniors. The Backpack Nutrition Program provides weekend backpacks of food for Hartford school children.

Community Engagement is the backbone of our direct service sites. Volunteers who serve in any of our programs do so through the Engagement program. The Engagement program also works with large volunteer groups to facilitate large-scale service projects at Hands on Hartford and other non-profits. The Faces of Homelessness Speakers Bureau enhances service learning opportunities around homelessness.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis. The financial statements report information regarding the Agency’s financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. They are described as follows:

Unrestricted – Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted – Net assets whose use by the Agency is subject to either explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Agency or that expire by the passage of time.

Permanently Restricted – Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Agency and stipulate the use of income and/or appreciation as temporarily restricted based on donor-imposed stipulations or by operation of law.

Tax Exempt Status

The Agency was organized as a nonprofit corporation as described under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and, as such, is not subject to federal and state corporation income taxes.

If the Agency has unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position.

Receivables

Accounts and grants receivable arising from regular operations are stated net of an allowance for doubtful accounts. Allowances are set based on assessments by management as to the collectability of individual accounts. There was no allowance for doubtful accounts for the year ended December 31, 2015 and 2014.

Property and Equipment

The Agency capitalizes all expenses for property and equipment in excess of \$5,000 and a useful life greater than three years. Property and equipment is recorded at cost. Depreciation of property and equipment is reflected on the straight-line method for financial reporting purposes over the estimated useful lives of the assets. Estimated useful lives for financial reporting purposes are as follows:

| <u>Asset</u> | <u>Estimated Useful Lives</u> |
|-------------------------|-------------------------------|
| Building | 10 years |
| Building Improvements | 5-10 years |
| Furniture and Equipment | 3-7 years |

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the changes in net assets for the period.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-lived Assets

The Agency evaluates long-lived assets for impairment annually or whenever events or changes indicate the carrying value may not be recoverable. If the sum of the estimated future undiscounted cash flows is less than the carrying value of the related assets, a loss is recognized for the difference between the present value of estimated net cash flows or comparable market values and the carrying value of the asset or group of assets. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment losses for 2015 and 2014.

Gifts of Long-lived Assets

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

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 statements of activities as net assets released from restrictions.

The Agency recognizes grants to the extent that eligible grant costs are incurred. Receivables are recognized to the extent costs have been incurred, but not reimbursed. Deferred grant revenue represents grant advances which exceed eligible costs incurred.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to grantors. As of December 31, 2015 and 2014, the Agency has not been informed by any agencies (including the Departments of Social Services and Mental Health and Addiction Services) of any funds which are required to be returned.

Donated Facilities, Goods and Services

The value of donated facilities and goods are recorded as revenue and expenses when an estimated amount is ascertainable. The value of rent donated by churches and other nonprofit and corporate agencies has been recorded as \$120,000 and \$120,000 for 2015 and 2014, respectively. The value of donated food has been recorded as \$244,878 and \$252,961 for 2015 and 2014, respectively. The method used to record the donated food is based on the number of pounds of food valued at wholesale cost per pound obtained from Foodshare.

Other donated items were valued based on the donor assessment of the items donated. The Agency has over 3,400 volunteers donating services for various programs which were not recognized as revenue in the financial statements since the recognition criteria under the FASB ASC Topic 958 *Not-for-Profit Entities Presentation of Financial Statements* was not met.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the 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. Accordingly, actual results could differ from those estimates.

Permanently Restricted Net Assets, Investment Policy and Spending Policy

The Agency's permanently restricted net assets are comprised of donor-restricted funds. Net assets associated with these funds are classified and reported based on the existence of donor-imposed restrictions. The Agency's investment policy over endowment assets attempts to provide a predictable stream of funding while seeking to maintain the purchasing power of the assets. Under this policy, investment are intended to assume a conservative level of investment risk and are held in money market accounts. The Agency appropriates funds for distribution based on annual review of investment results and available net assets.

Expense allocation

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

Subsequent Events

The Agency has evaluated events and transactions for potential recognition or disclosure through June 14, 2016, which is the date the financial statements were available to be issued.

NOTE 3 - CONCENTRATIONS

Concentrations of Credit Risk

Financial instruments that potentially subject the Agency to concentrations of credit risk consist principally of temporary cash investments and receivables. Concentrations of credit risk with respect to grants receivable are limited to contractual agreements with various federal and state agencies. Concentrations of credit risk with respect to contributions receivable are limited to contributions from various faith communities, businesses and individuals in the Hartford area. The Agency maintains temporary cash investment with high-credit quality financial institutions. At times, such amount may exceed federally insured limits.

Funding Source Concentrations

The following grantor agencies provided over 10% of the Agency's total support and revenue for the years ended December 31, 2015 and 2014:

| | <u>2015 Revenue</u> | <u>2014 Revenue</u> |
|------------------------|---------------------|---------------------|
| <u>Granting Agency</u> | | |
| Department of Housing | \$ 547,888 20% | \$ 547,888 25% |

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2015 and 2014, temporarily restricted net assets are available for the following purposes and amounts:

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|---------------------|
| Contributions for use in specific programs | \$ 54,413 | \$ 12,039 |
| Investment endowment earnings | 2,409 | 2,059 |
| Contributions restricted for future years | <u>69,520</u> | <u>1,542,914</u> |
| | <u>\$ 126,342</u> | <u>\$ 1,557,012</u> |

Included in contributions restricted for future years is \$-0- and \$314,394 of restricted cash as of December 31, 2015 and 2014, respectively.

NOTE 5 - PERMANENTLY RESTRICTED NET ASSETS

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Agency classifies as permanently restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated by expenditure by the Agency in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

In accordance with CTUPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Agency and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Agency
7. The investment policies of the Agency

NOTE 5 - PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Endowment net asset composition by type of fund as of December 31, 2015 is as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|--------------|
| Donor-restricted endowment funds | \$ - | \$ 2,409 | \$ 139,264 | \$ 141,673 |

Changes in endowment net assets for the year ended December 31, 2015 was as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment net assets, beginning of year | \$ - | \$ 2,059 | \$ 139,264 | \$ 141,323 |
| Investment income | - | 350 | - | 350 |
| Contributions | - | - | - | - |
| Restriction releases | - | - | - | - |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$ 2,409</u> | <u>\$ 139,264</u> | <u>\$ 141,673</u> |

Endowment net asset composition by type of fund as of December 31, 2014 is as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|--------------|
| Donor-restricted endowment funds | \$ - | \$ 2,059 | \$ 139,264 | \$ 141,323 |

Changes in endowment net assets for the year ended December 31, 2014 was as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment net assets, beginning of year | \$ - | \$ 1,701 | \$ 139,264 | \$ 140,965 |
| Investment income | - | 358 | - | 358 |
| Contributions | - | - | - | - |
| Restriction releases | - | - | - | - |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$ 2,059</u> | <u>\$ 139,264</u> | <u>\$ 141,323</u> |

As of December 31, 2015 and 2014, donor-restricted endowment funds in the amount of \$139,264 for both years are classified as permanently restricted net assets. The earnings on these funds are to be used to support hunger abatement.

NOTE 6 - PENSION PLANS

The Agency maintains a 401(k) Profit Sharing Plan and Trust, (the "Plan") covering all eligible employees. All employees are eligible upon hire. Employer contributions are made at the discretion of the Agency's Board of Directors. Employer contributions for the year ended December 31, 2015 and 2014 were \$10,209 and \$9,920, respectively.

NOTE 7 - COMMITMENTS: LEASE OBLIGATION

The Agency leases office space under a non-cancelable operating lease, which expired in February 14, 2016. Monthly rent expense is \$2,000 from January through September 30, 2015 and \$3,000 from October 1, 2015 through February 14, 2016. Future minimum lease payments for operating leases that have initial or remaining non-cancelable terms in excess of one year in each of the years subsequent to December 31, 2015 are as follows:

| <u>Year Ending December 31</u> | <u>Amount</u> |
|--------------------------------|------------------------|
| 2016 | <u><u>\$ 6,000</u></u> |

For the years ended December 31, 2015 and 2014, rent expense was \$27,000 and \$20,400, respectively.

NOTE 8 - SUBSEQUENT EVENTS

In January 2016 the agency entered into a construction bridge loan agreement not to exceed \$1,550,000 to fund the construction and historic renovation of thirteen supportive housing units of rental housing, commercial space and related improvements at 34-55 Bartholomew Avenue, Hartford. Interest is 5% and the maturity date is December 31, 2016.

In February 2016, the Agency relocated to its new building, Hands on Hartford Center for Community, at 55 Bartholomew Avenue, Hartford. Hands on Hartford, Inc. renovated the building which now houses its Neighborhood Services (MANNA Assistance and Advocacy, Food Pantry and Backpack Program); Supportive Housing Services; Hartford Thrive! AmeriCorps VISTA program and Administrative Offices. The Agency received funding from the State of Connecticut Department of Housing which stipulates a recorded mortgage, lien and declaration of restrictions and a 30 Year affordability compliance period; State of Connecticut Department of Mental Health and Addiction Services which stipulates a 10 year lien on the property; SHPO (State Historic Preservation Office) stipulates a 5 year compliance with historic requirements; CHFA-HTCC (Connecticut Finance Housing Authority - Housing Tax Credit Contribution) with a stipulation of 30 year affordability compliance period; as well as private funders.