

HANDS ON HARTFORD, INC.

Independent Auditors' Report

Financial Statements

December 31, 2019 and 2018



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HANDS ON HARTFORD, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hands on Hartford, Inc.

We have audited the accompanying financial statements of Hands on Hartford, Inc. which comprise the statements of financial position as of December 31, 2019 and 2018, 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, 2019 and 2018, 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 PC

Hartford, Connecticut
June 23, 2020

HANDS ON HARTFORD, INC.

Statements of Financial Position

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
<i>Current assets:</i>		
Cash	\$ 1,209,894	\$ 1,248,716
Grants and accounts receivable	323,353	192,589
Inventory of gift cards	14,643	17,670
Prepaid expense	24,314	17,356
Total current assets	<u>1,572,204</u>	<u>1,476,331</u>
<i>Land, property and equipment:</i>		
Building and improvements	7,781,056	7,781,056
Furniture and equipment	193,809	193,809
	<u>7,974,865</u>	<u>7,974,865</u>
Less accumulated depreciation	(1,141,999)	(860,712)
Property and equipment, net	<u>6,832,866</u>	<u>7,114,153</u>
Construction in progress	246,969	220,999
Land	158,000	158,000
Land, property and equipment, net	<u>7,237,835</u>	<u>7,493,152</u>
<i>Other assets:</i>		
Restricted cash	2,176	135,327
	<u>2,176</u>	<u>135,327</u>
Total assets	<u>\$ 8,812,215</u>	<u>\$ 9,104,810</u>

The accompanying notes are integral part of the financial statements.

HANDS ON HARTFORD, INC.

Statements of Financial Position (continued)

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Liabilities and Net Assets		
<i>Current liabilities:</i>		
Accounts payable	\$ 7,732	\$ 10,501
Accrued expenses	166,268	156,519
Loan payable	300,000	300,000
Deferred grant revenue	338,910	182,008
Total current liabilities	<u>812,910</u>	<u>649,028</u>
<i>Net assets:</i>		
Without donor restrictions	7,969,079	8,192,511
With donor restrictions	30,226	263,271
Total net assets	<u>7,999,305</u>	<u>8,455,782</u>
Total liabilities and net assets	<u>\$ 8,812,215</u>	<u>\$ 9,104,810</u>

The accompanying notes are integral part of the financial statements.

HANDS ON HARTFORD, INC.

Statement of Activities

For the year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets:			
Support:			
Contributions	\$ 589,424	\$ -	\$ 589,424
Religious contributions	61,779	-	61,779
In-kind food contributions	379,216	-	379,216
In-kind facility rent	14,400	-	14,400
Other in-kind contributions	48,894	-	48,894
Total support	<u>1,093,713</u>	<u>-</u>	<u>1,093,713</u>
Revenue:			
Program grants	1,767,809	-	1,767,809
Resident and program fees	352,138	-	352,138
Interest income	374	-	374
Total revenue	<u>2,120,321</u>	<u>-</u>	<u>2,120,321</u>
Net assets released from restrictions	<u>233,045</u>	<u>(233,045)</u>	<u>-</u>
Total support and revenue	<u>3,447,079</u>	<u>(233,045)</u>	<u>3,214,034</u>
Functional expenses:			
Program services	2,587,019	-	2,587,019
Supporting services	673,267	-	673,267
Total functional expenses	<u>3,260,286</u>	<u>-</u>	<u>3,260,286</u>
Change in net assets from operations	186,793	(233,045)	(46,252)
Other changes in net assets:			
Transfer to HFPG	(133,215)	-	(133,215)
Depreciation	(277,010)	-	(277,010)
Total other changes in net assets	<u>(410,225)</u>	<u>-</u>	<u>(410,225)</u>
Change in net assets	(223,432)	(233,045)	(456,477)
Net assets, beginning of year	<u>8,192,511</u>	<u>263,271</u>	<u>8,455,782</u>
Net assets, end of year	<u>\$ 7,969,079</u>	<u>\$ 30,226</u>	<u>\$ 7,999,305</u>

The accompanying notes are integral part of the financial statements.

HANDS ON HARTFORD, INC.

Statement of Activities

For the year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets:			
Support:			
Contributions	\$ 423,851	\$ -	\$ 423,851
Religious contributions	47,015	-	47,015
In-kind food contributions	326,538	-	326,538
In-kind facility rent	14,400	-	14,400
Other in-kind contributions	62,348	-	62,348
Total support	874,152	-	874,152
Revenue:			
Program grants	1,662,434	113,690	1,776,124
Resident and program fees	284,147	-	284,147
Interest income	362	-	362
Total revenue	1,946,943	113,690	2,060,633
Net assets released from restrictions	114,778	(114,778)	-
Total support and revenue	2,935,873	(1,088)	2,934,785
Functional expenses:			
Program services	2,449,267	-	2,449,267
Supporting services	477,133	-	477,133
Total functional expenses	2,926,400	-	2,926,400
Change in net assets	9,473	(1,088)	8,385
Other changes in net assets:			
Transfer to HFPG	(6,050)	-	(6,050)
Depreciation	(271,776)	-	(271,776)
Total change in net assets	(268,353)	(1,088)	(269,441)
Net assets, beginning of year	8,460,864	264,359	8,725,223
Net assets, end of year	\$ 8,192,511	\$ 263,271	\$ 8,455,782

The accompanying notes are integral part of the financial statements.

HANDS ON HARTFORD, INC.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (456,477)	\$ (269,441)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	281,287	273,132
(Increase)/decrease in assets:		
Grants and accounts receivable	(130,764)	(75,410)
Inventory of gift cards	3,027	(13,088)
Prepaid expense	(6,958)	(3,985)
Increase/(decrease) in liabilities:		
Accounts payable	(2,769)	9,021
Accrued expenses	9,749	28,032
Deferred grant revenue	156,902	28,573
Net change in cash from operating activities	<u>(146,003)</u>	<u>(23,166)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	<u>(25,970)</u>	<u>(170,827)</u>
Net change in cash from investing activities	<u>(25,970)</u>	<u>(170,827)</u>
Net change in cash	(171,973)	(193,993)
Cash and restricted cash, beginning of year	<u>1,384,043</u>	<u>1,578,036</u>
Cash and restricted cash, end of year	<u>\$ 1,212,070</u>	<u>\$ 1,384,043</u>

The accompanying notes are integral part of the financial statements.

HANDS ON HARTFORD, INC.

Statement of Functional Expenses

For the year ended December 31, 2019

	Program Services	Supporting Services	Total
Personnel:			
Wages	\$ 954,219	\$ 284,103	\$ 1,238,322
Employee benefits	183,534	80,259	263,793
Payroll taxes	71,679	21,475	93,154
Contractual services	34,065	68,718	102,783
Other personnel related expenses	16,079	3,396	19,475
Total personnel expenses	<u>1,259,576</u>	<u>457,951</u>	<u>1,717,527</u>
Operating expenses:			
Activities and events	-	46,353	46,353
Professional services	35,747	3,220	38,967
Interest expense/bank fees	2,325	5,353	7,678
Insurance	45,938	13,935	59,873
Office operations	14,541	6,587	21,128
Information technology	72,055	20,542	92,597
Program needs	534,792	-	534,792
Furniture and fixtures	3,338	106,112	109,450
Building operations	171,919	13,214	185,133
Depreciation	4,278	-	4,278
Total operating expenses	<u>884,933</u>	<u>215,316</u>	<u>1,100,249</u>
Total personnel and operating expenses	<u>2,144,509</u>	<u>673,267</u>	<u>2,817,776</u>
Other expenses:			
In-kind facility rent	14,400	-	14,400
In-kind food expense	379,216	-	379,216
Other in-kind expense	48,894	-	48,894
Total other expenses	<u>442,510</u>	<u>-</u>	<u>442,510</u>
Total functional expenses	<u>\$ 2,587,019</u>	<u>\$ 673,267</u>	<u>\$ 3,260,286</u>

The accompanying notes are integral part of the financial statements.

HANDS ON HARTFORD, INC.

Statement of Functional Expenses

For the year ended December 31, 2018

	Program Services	Supporting Services	Total
Personnel:			
Wages	\$ 903,518	\$ 272,295	\$ 1,175,813
Employee benefits	186,896	58,803	245,699
Payroll taxes	68,758	20,529	89,287
Contractual services	46,386	52,775	99,161
Other personnel related expenses	14,096	3,343	17,439
Total personnel expenses	<u>1,219,654</u>	<u>407,745</u>	<u>1,627,399</u>
Operating expenses:			
Activities and events	65	7,858	7,923
Professional services	33,460	3,713	37,173
Interest expense/bank fees	2,669	2,558	5,227
Insurance	42,621	13,813	56,434
Office operations	12,462	4,113	16,575
Information technology	66,365	25,645	92,010
Program needs	488,244	-	488,244
Furniture and fixtures	1,571	-	1,571
Building operations	177,514	11,688	189,202
Depreciation	1,356	-	1,356
Total operating expenses	<u>826,327</u>	<u>69,388</u>	<u>895,715</u>
Total personnel and operating expenses	<u>2,045,981</u>	<u>477,133</u>	<u>2,523,114</u>
Other expenses:			
In-kind facility rent	14,400	-	14,400
In-kind food expense	326,538	-	326,538
Other in-kind expense	62,348	-	62,348
Total other expenses	<u>403,286</u>	<u>-</u>	<u>403,286</u>
Total functional expenses	<u>\$ 2,449,267</u>	<u>\$ 477,133</u>	<u>\$ 2,926,400</u>

The accompanying notes are integral part of the financial statements.

HANDS ON HARTFORD, INC.

Notes to the Financial Statements

December 31, 2019 and 2018

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:

Housing Services – Provides safe and affordable supportive housing and related support services for individuals and families with complex health issues (including those living with HIV/AIDS), both onsite and throughout the Hartford area. Also provided are supportive services and individualized housing stabilization or homelessness prevention services to neighbors in need of assistance. In addition, linkage and referral case management services to individuals at an apartment building for individuals with limited income are provided. **CIHHN (Connecticut Integrated Healthcare and Housing Neighborhoods)** program supports individuals in finding and keeping safe, affordable housing and provide housing case management and patient navigation services to increase housing stability and positive health outcomes. **Apartments at 55B** -thirteen one-bedroom and efficiency style apartments at Hands On Hartford provide permanent housing to individuals in need of supportive services because of serious health issues. 24/7 support is available through our Housing Services program. We also provide supportive housing and related support services for folks with serious health issues (including those living with HIV/AIDS), at **Zezzo House**, an offsite residence in Hartford.

Community Engagement – The Community Engagement Program orients, trains and places volunteers with all of our direct service programs. This program also manages larger customized service projects, immersions and “Dash for a Difference” events providing service learning both at Hands On Hartford and at non-profits, schools and parks throughout Hartford. Community Engagement also encompasses the Faces of Homelessness Speakers’ Bureau, through which speakers share their own experiences of homelessness with diverse audiences.

MANNA (Meals, Assistance, Neighbors, Nurturing, Advocacy) – Is a comprehensive basic needs program comprised of the following programs. Community Meals and Day Program provides hot meals and vital assistance to homeless individuals and working individuals and families, four days and one evening a week in downtown Hartford. For those without jobs and homes, these meals are life-saving. For others who work but still live in poverty, our meals help to stretch limited funds. In addition to offering basic nutritional sustenance, the community meal and day program is a welcoming place where caring staff and volunteers give emotional support and a sense of community to those who often live isolated lives, and lead navigator trained in social work helps guests stabilize their situations and take steps to move toward permanent housing and self-sufficiency.

NOTE 1 – AGENCY AND PURPOSE (CONTINUED)

Neighborhood Services program offers referrals, utility assistance through Operation Fuel, limited security deposit assistance, referrals and financial assistance for training and employment opportunities, nutrition education and health screenings to Hartford residents. Community Pantry is a full choice shopping model pantry, allowing clients to choose food that will suit their families' needs and tastes, minimizing food waste and maximizing nutritional value. Groceries include non-perishable staples, along with bread, milk, eggs, fresh produce, frozen meat and halal meat. Also offered are basic personal hygiene items and diapers. Backpack Nutrition Program serves Hartford children who rely on free-of-charge school breakfasts and lunches during the school year. Backpacks containing two breakfasts and two lunches along with drinks and snacks (including shelf stable milk) are sent home each Friday of the school year. Also added weekly enhancements, such as fresh fruit, canned chicken, community resources information, nutrition resource information, and school supplies.

The Café at Fifty-Five/ Caterers Who Care/ Community Kitchen – Serving great coffee, crepes, sandwiches, salads and other breakfast and lunch items, the Café at Fifty-Five serves neighbors (we provide jobs for people including those with barriers to employment), engages volunteers (volunteers are a vital part of the operational team) and connects communities (our prices are low and there's a pay-for-a-neighbor option allowing diverse groups to enjoy the café). **Caterers Who Care** is a full service catering operation with competitive pricing, serving breakfast, lunch, dinner and appetizers either on-site or delivered off-site. **Shared Use Kitchen** - Hands On Hartford's shared use kitchen is available for use by members of the community on a pre-arranged basis. Small culinary businesses join the shared kitchen and benefit from a modern, renovated, licensed kitchen for product preparation and development, cooking classes, etc. We also work in partnership with a group of community organizations to run the Culinary Collaborative, designed to support the small businesses who are members of our kitchen to strengthen and further their businesses. Net proceeds of these three programs support Hands On Hartford's direct service programs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Agency have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Agency to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Agency. These net assets may be used at the discretion of the Agency's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Tax Exempt Status

The Agency is organized as a nonprofit corporation as described under Section 501(c)(3) of the Internal Revenue Code and, as such, is generally not subject to Federal and State corporation income taxes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Grants and accounts receivable arising from operations are stated net of an allowance for doubtful accounts, where applicable. Allowances are set based on assessments by management as to the collectability of individual accounts. There was no allowance for doubtful accounts at December 31, 2019 and 2018.

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 and improvements	5-30 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.

Gifts of Long-lived Assets

When applicable, the Agency reports gifts of property and equipment as support without donor restrictions 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 support with donor restrictions. 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

The Agency recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions for which restrictions are met in same year are reported as contributions without donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a 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 statements of activities as net assets released from restrictions.

A portion of the Agency's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Agency has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

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, 2019 and 2018, the Agency has not been informed by any agencies (including the Departments of Housing and Mental Health and Addiction Services) of any funds which are required to be returned.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$14,400 for both 2019 and 2018. The value of donated food has been recorded as \$379,216 and \$326,538 for 2019 and 2018, 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 2,500 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.

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.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel	Time and effort
Activities and events	Time and effort
Professional services	Time and effort
Interest expense/bank fees	Time and effort
Insurance	Time and effort
Office operations	Time and effort
Information technology	Time and effort
Program needs	Time and effort
Furniture and fixtures	Time and effort
Building operations	Time and effort
Depreciation	Square footage, time and effort

Subsequent Events

The Agency has evaluated events and transactions for potential recognition or disclosure for the year ended December 31, 2019 through June 23, 2020, which is the date the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. COVID-19 has caused significant disruption in the national and global economy. The Agency's operating activities, liquidity, cash flows may be adversely affected by this global pandemic. While the disruption is currently expected to be temporary, there is uncertainty related to the duration. Therefore, while the Agency expects this matter to negatively impact the business, the related financial impact cannot be reasonably estimated at this time.

NOTE 3 – CONCENTRATIONS

Concentrations of Credit Risk

The Agency maintains its cash in banks and other financial institutions. Cash balances, at times, may exceed of such federally insured limits. The Agency believes that it is not exposed to any significant credit risk on cash and cash equivalents.

Funding Source Concentrations

The following agency provided over 15% of the Agency’s total support and revenue for the years ended December 31, 2019 and 2018:

<u>Granting Agency</u>	<u>2019 Revenue</u>	<u>2018 Revenue</u>
Department of Housing	\$ 541,511 17%	\$ 576,425 20%

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019 and 2018, net assets with donor restrictions are available for the following purposes and amounts:

	<u>2019</u>	<u>2018</u>
Contributions for use in specific programs	\$ -	\$ 22,497
Endowment funds	-	136,335
Contributions restricted for future years	30,226	104,439
	<u>\$ 30,226</u>	<u>\$ 263,271</u>

Net assets released from donor restrictions during the years ending December 31, 2019 and 2018 are detailed as follows:

	<u>2019</u>	<u>2018</u>
Utilized for specific programs	\$ 26,305	\$ 26,305
Transfer to HFPG, Hands on Hartford Endowment Fund	133,215	6,050
Time restrictions met	73,525	82,423
	<u>\$ 233,045</u>	<u>\$ 114,778</u>

NOTE 5 – ENDOWMENT

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 net assets with donor restrictions (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 endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, until those amounts are appropriated by expenditure by the Agency in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

NOTE 5 – ENDOWMENT (CONTINUED)

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

Endowment net asset composition by type of fund as of December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 135,975</u>

Changes in endowment net assets for the years ended December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	\$ 135,975	\$ 142,025
Investment income	-	-
Restriction releases	<u>(135,975)</u>	<u>(6,050)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 135,975</u>

During the year ended December 31, 2018, the Agency established the Hands on Hartford Endowment Fund (the Fund) with the Hartford Foundation for Public Giving, Inc. (HFPG). The Fund is a charitable fund created for the benefit of the Agency and its activities and services. Investment income earned by the Fund is reinvested for the benefit of the Fund and consists of interest, dividends, realized and unrealized capital gains, net of investment and administrative fees. During the years ended December 31, 2019 and 2018, \$133,215 and \$6,050 was transferred to HFPG to this Fund.

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 years ended December 31, 2019 and 2018 were \$12,512 and \$11,755, respectively.

NOTE 7 – NOTES PAYABLE

The Agency entered into a \$300,000 loan agreement with the Supportive Housing Solutions Fund LLC for the rehabilitation and re-use of a former industrial power plant into supportive housing. The loan bears 6% interest, accrued and paid at maturity, non-amortizing. Maturity date is July 1, 2020. Accrued interest as of December 31, 2019 and 2018 was \$62,250 and \$44,250, respectively.

NOTE 8 – LEASE OBLIGATIONS

On May 1, 2017, the Agency entered into an operating lease with 17-35 Bartholomew Avenue, LLC for parking spaces. The lease expires November 30, 2020, with option to terminate early. The minimum lease payments under this operating lease are as follows for the years ending December 31,:

<u>Year Ending December 31</u>	<u>Amount</u>
2020	\$ 7,013

Lease expense amounted to \$8,415 and \$8,415 for both years ended December 31, 2019 and 2018.

NOTE 9 – AVAILABILITY AND LIQUIDITY

The following represents the Agency’s financial assets at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,212,070	\$ 1,384,043
Grants and accounts receivable	323,353	192,589
	<u>1,535,423</u>	<u>1,576,632</u>
Less net assets with donor restrictions	<u>30,226</u>	<u>263,271</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,505,197</u>	<u>\$ 1,313,361</u>

The Agency’s goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments including money market accounts.

NOTE 10 – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

During the year ended December 31, 2019, the Agency adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a single comprehensive model for revenue recognition. The new guidance's core principle is that an organization will recognize revenue when it transfers control over promised goods or services in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. The Agency adopted the new revenue guidance using the modified retrospective method on January 1, 2019. Therefore, the comparative information has not been restated and continues to be reported under the accounting standards in effect for that period.

The Agency evaluated each revenue stream as it related to ASU 2014-09. The Agency does not expect the impact of the adoption of the new standard to be material to the results of operations on an ongoing basis.

NOTE 10 – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

During the year ended December 31, 2019, the Agency adopted ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides clarification about whether a transfer of assets is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. The Agency adopted the new guidance under the modified prospective basis. Therefore, the new guidance was applied to revenue that had not yet been recognized on agreements that were not completed as of January 1, 2018 and revenue related to agreements that were entered into after January 1, 2018. The comparative information has not been restated and continues to be reported under the accounting standards in effect for that period. As a result, there was no cumulative effect adjustment to opening net assets without donor restrictions or opening net assets without donor restrictions as of January 1, 2018. In comparison to the year ended December 31, 2018, the effect of adopting the new accounting principle has no effect on grant revenue.

NOTE 11 – SUBSEQUENT EVENT

The Agency received approval for a Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loan in the amount of \$230,000 and received the loan funds on May 4, 2020. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over either an eight or twenty-four week period following the date of funding. In order to qualify for forgiveness, of the total funding, 60% must be spent on eligible payroll expenses, and the remaining 40% on other expenditures, such as rent and utilities. Any unforgiven balance must be repaid over five years at an annual interest rate of 1% with an initial deferment period of six months from disbursement date of loan (interest will accrue). Details of eligible forgivable expenses are fluid, and final guidance has not yet been determined by SBA, auditors or banks. The Agency intends to comply with all requirements of the loan to ensure that the loan amount received is 100% forgivable.

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