

CONNECTIONS FOR THE HOMELESS, INC.

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2018 AND 2017**

TOGETHER WITH AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Connections for the Homeless, Inc.:

We have audited the accompanying financial statements of Connections for the Homeless, Inc. (the Organization) (a non-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows and functional expenses for the year 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 evaluation of 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

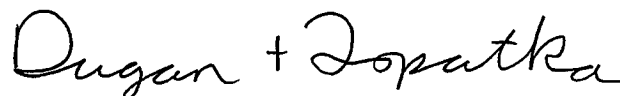
To the Board of Directors of
Connections for the Homeless, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connections for the Homeless, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 consolidated financial statements, and in our reported dated October 26, 2017, we expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



DUGAN & LOPATKA

Warrenville, Illinois
December 14, 2018

CONNECTIONS FOR THE HOMELESS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents - Operations	\$ 160,245	\$ 193,474
- HUD replacement reserve	42,495	53,204
- Held for others	7,071	-
Receivables - Government	454,806	325,744
- Clients and others	4,210	4,989
Prepaid expenses	22,296	45,632
Total current assets	691,123	623,043
PROPERTY AND EQUIPMENT:		
Land	71,155	71,155
Buildings	687,052	687,052
Leasehold improvements	205,386	178,899
Furniture and fixtures	3,168	3,168
Office equipment	274,535	285,664
Vehicles	86,848	86,848
Total property and equipment	1,328,144	1,312,786
Less - Accumulated depreciation	(572,374)	(528,906)
Net property and equipment	755,770	783,880
OTHER ASSETS:		
Deposits	81,539	69,169
	\$ 1,528,432	\$ 1,476,092

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES:		
Notes payable, current maturities	\$ 9,460	\$ 8,957
Accounts payable and accrued expenses	18,589	84,697
Accrued payroll and related expenses	96,418	45,795
Government advances	-	6,727
Agency funds	7,071	-
Client security deposits	7,308	7,307
Deferred revenue	43,100	2,500
	<hr/>	<hr/>
Total current liabilities	181,946	155,983
LONG-TERM LIABILITIES:		
Notes payable, net of current maturities	31,620	41,043
	<hr/>	<hr/>
Total liabilities	213,566	197,026
	<hr/>	<hr/>
COMMITMENTS		
NET ASSETS:		
Unrestricted - Undesignated	536,659	225,338
- Board designated	-	74,460
Temporarily restricted	778,207	979,268
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Total net assets	1,314,866	1,279,066
	<hr/>	<hr/>
	\$ 1,528,432	\$ 1,476,092
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CONNECTIONS FOR THE HOMELESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(with comparative totals for 2017)

	2018		2017	
	Unrestricted	Temporarily Restricted	Total	Total
PUBLIC SUPPORT AND REVENUE:				
Contributions	\$ 1,315,377	\$ 20,000	\$ 1,335,377	\$ 1,104,041
Emergency Food and Shelter National Board Program	53,497	-	53,497	34,297
U.S. Department of Housing and Urban Development	898,062	-	898,062	909,729
Department of Health and Human Services	113,989	-	113,989	-
Illinois Department of Human Services	718,161	-	718,161	558,755
City of Evanston	486,764	-	486,764	282,500
Northfield Township	9,325	-	9,325	4,014
City of Des Plaines	5,102	-	5,102	3,716
Cook County Department of Planning and Development	49,400	-	49,400	18,632
United Way	30,000	-	30,000	50,000
Client rental payments	78,750	-	78,750	69,802
Investment income (loss)	67	-	67	(203)
Special events, net expenses of \$85,578 and \$74,080 for 2018 and 2017, respectively	385,016	-	385,016	313,103
Other income	13,454	-	13,454	7,216
Donated services	-	-	-	2,310
Total support and revenue	4,156,964	20,000	4,176,964	3,357,912
RECLASSIFICATIONS:				
Net assets released upon satisfaction of purpose restrictions	221,061	(221,061)	-	-

The accompanying notes are an integral part of this statement.

CONNECTIONS FOR THE HOMELESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(with comparative totals for 2017)

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
FUNCTIONAL EXPENSES:				
Program services	\$ 3,118,576	\$ -	\$ 3,118,576	\$ 2,534,095
Management and general	513,064	-	513,064	301,922
Fundraising	509,524	-	509,524	351,172
Total functional expenses	4,141,164	-	4,141,164	3,187,189
CHANGE IN NET ASSETS	236,861	(201,061)	35,800	170,723
NET ASSETS, Beginning of year	299,798	979,268	1,279,066	1,108,343
NET ASSETS, End of year	\$ 536,659	\$ 778,207	\$ 1,314,866	\$ 1,279,066

The accompanying notes are an integral part of this statement.

CONNECTIONS FOR THE HOMELESS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in total net assets	\$ 35,800	\$ 170,723
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:		
Depreciation	57,454	62,241
Loss on disposal of fixed assets	502	480
(Increase) decrease in receivables	(128,283)	220,798
(Increase) decrease in prepaid expenses	23,336	(25,792)
(Increase) in deposits	(12,370)	(13,215)
Increase (decrease) in accounts payable	(66,108)	37,863
Increase (decrease) in accrued payroll and related expenses	50,623	(12,751)
Increase (decrease) in government advances	(6,727)	2,520
Increase in client security deposits	1	9
Increase in deferred revenue	40,600	2,500
	<u>(5,172)</u>	<u>445,376</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(29,846)</u>	<u>(49,925)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(8,920)	(25,000)
Payments on line of credit, net	<u>-</u>	<u>(250,000)</u>
	<u>(8,920)</u>	<u>(275,000)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(43,938)	120,451
CASH AND CASH EQUIVALENTS, Beginning of year	<u>246,678</u>	<u>126,227</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 202,740</u>	<u>\$ 246,678</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	<u>\$ 4,547</u>	<u>\$ 8,340</u>

The accompanying notes are an integral part of this statement.

CONNECTIONS FOR THE HOMELESS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
 (with comparative totals for 2017)

	Program Services				Supporting Services			2017 Total
	Prevention and Rapid Rehousing Services	Community and Shelter Services	Housing Services	Total Program Services	Management and General	Fundraising	2018 Total	
FUNCTIONAL EXPENSES:								
Salaries and benefits	\$ 171,144	\$ 504,432	\$ 588,629	\$ 1,264,205	\$ 355,368	\$ 414,903	\$ 2,034,476	\$ 1,494,995
Professional fees	14,164	53,055	44,830	112,049	77,888	15,256	205,193	225,988
Dues, subscriptions and training	478	1,817	3,631	5,926	9,114	10,412	25,452	16,076
Occupancy	22,695	68,103	93,623	184,421	21,313	23,272	229,006	224,251
Repairs and maintenance	271	6,340	11,033	17,644	585	657	18,886	16,736
Insurance	3,751	15,880	19,168	38,799	14,815	10,302	63,916	25,506
Specific assistance to individuals	344,365	34,858	996,029	1,375,252	1,280	-	1,376,532	1,030,607
Transportation	1,043	3,705	15,030	19,778	1,106	388	21,272	14,557
Small equipment and supplies	3,414	25,883	16,271	45,568	13,251	20,207	79,026	53,188
Recruiting	276	1,080	806	2,162	1,809	588	4,559	2,194
Depreciation	529	5,794	43,476	49,799	6,627	1,028	57,454	62,241
Interest expense	-	-	2,563	2,563	1,984	-	4,547	8,340
Bank and credit card fees	95	-	-	95	900	3,950	4,945	5,761
In-kind donations expense	-	-	-	-	-	-	-	2,310
Miscellaneous	-	-	315	315	7,024	8,561	15,900	4,439
Total functional expenses	\$ 562,225	\$ 720,947	\$ 1,835,404	\$ 3,118,576	\$ 513,064	\$ 509,524	\$ 4,141,164	\$ 3,187,189

The accompanying notes are an integral part of this statement.

CONNECTIONS FOR THE HOMELESS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Connections for the Homeless, Inc. (the Organization) is a not-for-profit Illinois corporation exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization was formed in 1984 to work with communities in northern Cook County to prevent and eliminate homelessness. The Organization provides housing, shelter and supportive services including food, clothing, health and mental health care, employment and education. The Organization also does community outreach and education about homelessness, and provides volunteer opportunities for those concerned about homelessness. The Organization's programs are as follows:

Prevention and Rapid Rehousing Services are deployed when individuals and families face an immediate threat of homelessness or have recently become homeless. Typical financial aid such as payments for rent and utilities in arrears, security deposit, and move-in fees are provided, along with short-term case management to assist clients in budgeting and other planning to ensure they are able to maintain their housing.

Community and Shelter Services - Street and community outreach, drop-in services, and shelter for homeless individuals are provided through Community and Shelter Services. Along with case management, individuals are assessed for various housing programs, and are provided with basic needs such as food, hygiene products, showers, clothing, and laundry facilities. Hilda's Place, a shelter for men, is an 18-bed overnight shelter that provides a safe and healing environment for homeless individuals for up to one year. Case managers, a nurse practitioner, a psychiatrist, and volunteer physicians work with participants to address physical and mental health issues that may impact them and partner with them to work toward more permanent housing solutions.

Housing Services - The Agency runs several permanent and transitional housing programs for youth, individuals, and families. Youth programming takes place through congregate living in a home-like environment that is staffed 24 hours per day. The agency also operates a tenant-based rental assistance program which provides financial support for rent and utilities for families in the Evanston/Skokie school districts. The goal of these transitional programs is to prepare participants for independent living after graduation. For families and chronically homeless individuals impacted by a disability, the agency provides permanent supportive housing through scattered-site apartments rented in various communities. Comprehensive case management services are provided to address the complex needs of these populations, with a goal of keeping participants safely and stably housed.

The financial statements were available to be issued on December 14, 2018, with subsequent events being evaluated through this date.

Accounting Method -

The financial statements are maintained on the accrual basis of accounting which recognizes revenue as it is earned and expenses as they are incurred.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Presentation -

Financial statement presentation follows the recommendations of the Accounting Standards Codification for Financial Statements of Not-for-Profit Organizations. Under this codification, the Organization is required to report information regarding its financial position and activities according to three classes of net assets, which are unrestricted, temporarily restricted and permanently restricted net assets.

Unrestricted Net Assets are net assets that are not subject to donor-imposed stipulations or that the Board has designated for program expansion and reserves. The Board has designated \$-0- and \$74,460 as of June 30, 2018 and 2017, respectively, for the Supportive Housing Program, which consists of rent collected from clients as part of the program.

Temporarily Restricted Net Assets are net assets subject to donor-imposed stipulations that may or will be met, whether by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets are net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization did not receive any permanently restricted funds during the years ended June 30, 2018 and 2017.

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 reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Organization considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Concentration of Risk -

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash and deposits with high credit quality financial institutions; however, deposits may exceed the federally insured limits in various banks from time to time.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Receivables -

Receivables represent grants due to the Organization from governmental agencies or from clients. The Organization has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Property and Equipment -

Expenditures for property and equipment are capitalized at cost or at fair market value if donated. The Organization capitalizes all capital expenditures of \$2,500 or more, unless it is paid by State funds, then it is \$500 or more. Depreciation is computed on the straight-line method over estimated useful lives of the assets as follows:

Buildings	27.5 years
Leasehold improvements	5 - 27 years
Furniture and fixtures	3 - 10 years
Office equipment	2 - 10 years
Vehicles	4 - 5 years

Donated Property and Equipment -

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Restricted and Unrestricted Public Support and Revenue -

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. In 2018, there was a change in accounting policy in which any restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted in the statement of activities.

Public support that is restricted by the donor 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 statement of activities as net assets released from restrictions. Federal grant awards are classified as government advances until expended for the purposes of the grants because they are conditional promises to give.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Donated Services -

The Organization has conformed with the Accounting Standards Codification for *Accounting for Contributions Received and Contributions Made* in regards to donated services. This provision prohibits the recording of donated services unless they create or enhance a nonfinancial asset or are specialized skills that would have been purchased if they were not donated. For the years ended June 30, 2018 and 2017, the Organization received donated services valued at \$-0- and \$2,310, respectively, for Hilda's Place Homeless Shelter.

Functional Allocation of Expenses -

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

Income Taxes -

The Organization has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

The Organization files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2015. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

Comparative Financial Information -

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

(2) LINE OF CREDIT:

The Organization has a \$400,000 line of credit from a bank for periodic working capital requirements. The credit line is secured by all business assets. Amounts borrowed on the line of credit bear interest at prime (5.00% prime rate as of June 30, 2018) with a minimum interest rate of 4%. The credit agreement expires in December, 2018. At June 30, 2018 and 2017, there were no outstanding borrowings against the line of credit.

(3) NOTES PAYABLE:

	<u>2018</u>	<u>2017</u>
Payable to a bank - Bearing interest at 5.5%, with monthly payments of \$478, principal and interest, secured by a building and due in June, 2022.	\$ 20,540	\$ 25,000
Bearing interest at 5.5%, with monthly payments of \$478, principal and interest, secured by a building and due in June, 2022.	<u>20,540</u>	<u>25,000</u>
Total notes payable	41,080	50,000
Less - current portion long-term debt	<u>9,460</u>	<u>8,957</u>
Long-term debt	<u>\$ 31,620</u>	<u>\$ 41,043</u>

Future minimum principal payments are as follow -

2019	\$ 9,460
2020	9,993
2021	10,557
2022	<u>11,070</u>
	<u>\$ 41,080</u>

(4) COMMITMENTS:

Operating Leases -

The Organization has an operating lease for office space which expires in July, 2022. Under the lease agreement, the Organization is responsible for the incremental increase of real estate taxes and utilities.

The Organization also leases facilities for its program and some office space that currently expires on December 31, 2019.

Total rent expense for these leases for the years ended June 30, 2018 and 2017 was \$145,305 and \$105,259, respectively.

The future minimum rental commitments for operations are as follows:

2019	\$ 152,129
2020	124,691
2021	99,010
2022	99,466
2023	8,323

(4) COMMITMENTS: (Continued)

The Organization also leases various space on behalf of tenants. The leases expire at various dates through April, 2020. Rental assistance provided on these properties was \$560,313 and \$476,932 for the years ended June 30, 2018 and 2017, respectively. Future minimum rental commitments for rental assistance consist of \$289,405 for 2019 and \$18,800 for 2020.

(5) TEMPORARILY RESTRICTED NET ASSETS:

On September 30, 2011, the Organization received two properties located in Skokie, Illinois from the Illinois Housing Development Authority. The fair value of the two properties totaled \$758,207. As part of the agreement, for a period of 15 years, the Organization will provide affordable rentals for the benefit of low income persons which have less or equal to 50% of the area median income on these two properties.

Temporarily restricted net assets are comprised of the following:

	<u>2018</u>	<u>2017</u>
Program restricted funds -		
Family Supportive Housing Services	\$ -	\$ 11,646
Hilda's Place Homeless Shelter	-	14,380
Entry Point Outreach	-	1,376
Permanent Supportive Housing	-	6,071
Youth Our House	-	40,661
Development	-	995
Administrative	-	16,463
Health services	-	39,732
Education and Employment	-	41,878
Prevention	20,000	-
Other	-	47,859
	<u>20,000</u>	<u>221,061</u>
Land and buildings	<u>758,207</u>	<u>758,207</u>
	<u>\$ 778,207</u>	<u>\$ 979,268</u>

(6) FUTURE COMMITTED REVENUE:

The Organization has received the following future commitments from granting agencies as of June 30, 2018:

	<u>Term</u>	<u>Grant Amount</u>	<u>Advanced or Earned as of June 30, 2018</u>	<u>Funding Available</u>
<u>U.S. Department of Housing and Urban Development</u>				
<u>Continuum of Care Grants -</u>				
Permanent Housing #4	12/01/17-11/30/18	\$ 126,598	\$ 73,754	\$ 52,844
Permanent Housing #4	12/01/18-11/30/19	131,423	-	131,423
Permanent Housing Merged	02/01/18-01/31/19	222,269	92,493	129,776
Permanent Housing Ex #3	02/01/18-01/31/19	109,739	42,267	67,472
Family Merged	05/01/18-04/30/19	475,634	88,796	386,838
<u>Department of Health and Human Services -</u>				
Cook County	09/30/17-09/29/18	167,000	113,989	53,011
<u>City of Evanston -</u>				
Evanston MHB	01/01/18-12/31/18	55,000	8,500	46,500
Evanston HOME	06/01/17-12/31/20	250,000	167,643	82,357
Evanston HOME	09/01/18-12/31/20	300,000	-	300,000
McKinney ESG	07/11/17-10/19/19	118,509	90,978	27,531
<u>Housing Forward -</u>				
Continuum of Care	11/01/17-10/31/18	<u>52,500</u>	<u>31,553</u>	<u>20,947</u>
		<u>\$ 2,008,672</u>	<u>\$ 709,973</u>	<u>\$ 1,298,699</u>

(7) RETIREMENT PLAN:

The Organization has a 403(b) retirement plan, which allows all employees to defer payment of taxes on a portion of their salary by making contributions to the plan through payroll deductions. The Organization makes contributions based on a percentage of participant's eligible compensation. For the years ended June 30, 2018 and 2017, the Organization made contributions of \$12,860 and \$4,297, respectively.

(8) CONCENTRATIONS:

For the years ended June 30, 2018 and 2017, the Organization had approximately 39% and 44%, respectively, of its total support and revenue from a combination of funding from the U.S. Department of Housing and Urban Development and the Illinois Department of Human Services.

For the year ended June 30, 2017, approximately 12%, of the contribution revenue was received from one donor.