

CONNECTICUT ASSOCIATION FOR HUMAN SERVICES, INC.

Independent Auditors' Report
Financial Statements

December 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Connecticut Association for Human Services, Inc.

We have audited the accompanying financial statements of Connecticut Association for Human Services, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the six-month period then ended, and 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 the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 judgement, including the assessment of the risks of material misstatements 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 circumstance, 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 in 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 Connecticut Association for Human Services, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Whittlesey PC

Hartford, Connecticut
July 7, 2020

CONNECTICUT ASSOCIATION FOR HUMAN SERVICES, INC.

Statement of Financial Position

December 31, 2019

Assets	
Current assets	
Cash and cash equivalents	\$ 802,656
Cash - fiscal agent funds	105,734
Prepaid expenses	1,661
Grants, fees and contributions receivable	<u>136,446</u>
Total current assets	<u>1,046,497</u>
Non-current assets	
Unemployment reserve	41,976
Security deposit	<u>2,930</u>
Total non-current assets	<u>44,906</u>
Total assets	<u><u>\$ 1,091,403</u></u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	\$ 12,034
Accrued wages and payroll taxes	43,153
Refundable advance	29,997
Fiscal agent funds	<u>105,734</u>
Total current liabilities	<u>190,918</u>
Non-current liabilities	
Unemployment reserve	<u>41,976</u>
Net assets	
Net assets without donor restrictions	782,757
Net assets with donor restrictions	<u>75,752</u>
Total net assets	<u>858,509</u>
Total liabilities and net assets	<u><u>\$ 1,091,403</u></u>

The accompanying notes are an integral part of the financial statements.

CONNECTICUT ASSOCIATION FOR HUMAN SERVICES, INC.

Statement of Activities and Changes in Net Assets

For the six-month period ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Grants and contracts	\$ 897,741	\$ 111,507	\$ 1,009,248
Memberships	18,375	-	18,375
Interest income	277	-	277
Management fees	104,622	-	104,622
Contributions	10,931	-	10,931
Miscellaneous income	250	-	250
Net assets released from satisfaction of program restrictions	80,169	(80,169)	-
Total revenue and other support	<u>1,112,365</u>	<u>31,338</u>	<u>1,143,703</u>
Expenses			
Program services	537,785	-	537,785
Management and general	38,208	-	38,208
Fundraising	19,668	-	19,668
Total expenses	<u>595,661</u>	<u>-</u>	<u>595,661</u>
Change in net assets	516,704	31,338	548,042
Net assets, July 1, 2019	<u>266,053</u>	<u>44,414</u>	<u>310,467</u>
Net assets, December 31, 2019	<u>\$ 782,757</u>	<u>\$ 75,752</u>	<u>\$ 858,509</u>

The accompanying notes are an integral part of the financial statements.

CONNECTICUT ASSOCIATION FOR HUMAN SERVICES, INC.

Statement of Cash Flows

For the six-month period ended December 31, 2019

Cash flows from operating activities	
Change in net assets	\$ 548,042
Adjustments to reconcile change in net assets to net change in cash from operating activities	
Changes in assets and liabilities	
Grants, fees, and contributions receivable	(26,641)
Prepaid expenses	2,461
Security deposit	4,872
Accounts payable and accrued expenses	(40,520)
Refundable advance	(161,953)
Fiscal agent funds liability	14,899
Accrued wages	(19,434)
Net change in cash from operating activities	<u>321,726</u>
Cash and restricted cash, July 1, 2019	<u>586,664</u>
Cash and restricted cash, December 31, 2019	<u><u>\$ 908,390</u></u>
Reconciliation of cash	
Cash	\$ 802,656
Cash - fiscal agents funds	<u>105,734</u>
Total cash and restricted cash, December 31, 2019	<u><u>\$ 908,390</u></u>

The accompanying notes are an integral part of the financial statements.

CONNECTICUT ASSOCIATION FOR HUMAN SERVICES, INC.

Statement of Functional Expenses

For the six-month period ended December 31, 2019

	Other Program Services	Early Childhood Alliance	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 219,112	\$ 64,319	\$ 283,431	\$ 25,767	\$ 12,883	\$ 322,081
Payroll taxes	22,958	4,819	27,777	2,525	1,263	31,565
Fringe benefits	21,031	9,235	30,266	2,751	1,376	34,393
Total salaries, taxes and benefits	<u>263,101</u>	<u>78,373</u>	<u>341,474</u>	<u>31,043</u>	<u>15,522</u>	<u>388,039</u>
Contract services	145,716	-	145,716	739	1,696	148,151
Meetings, dues and fees	1,750	390	2,140	138	16	2,294
Equipment rental and maintenance	5,435	-	5,435	475	23	5,933
Insurance	2,861	-	2,861	260	126	3,247
Miscellaneous	1,997	-	1,997	2,297	1,084	5,378
Postage	393	-	393	94	679	1,166
Printing	15	-	15	2	3	20
Occupancy	16,174	-	16,174	1,406	-	17,580
Staff development	389	-	389	34	8	431
Supplies	2,811	9	2,820	274	325	3,419
Telephone	3,340	792	4,132	359	-	4,491
Advertising	1,850	-	1,850	-	70	1,920
Office maintenance	2,602	-	2,602	228	24	2,854
Travel	8,236	1,551	9,787	859	92	10,738
Total other expenses	<u>193,569</u>	<u>2,742</u>	<u>196,311</u>	<u>7,165</u>	<u>4,146</u>	<u>207,622</u>
Total expenses	<u>\$ 456,670</u>	<u>\$ 81,115</u>	<u>\$ 537,785</u>	<u>\$ 38,208</u>	<u>\$ 19,668</u>	<u>\$ 595,661</u>

The accompanying notes are an integral part of the financial statements.

CONNECTICUT ASSOCIATION FOR HUMAN SERVICES, INC.

Notes to the Financial Statements

December 31, 2019

NOTE 1 – ORGANIZATION

The Connecticut Association for Human Services, Inc. (“CAHS”) improves opportunity and prosperity for Connecticut’s children and families by shaping policies and programs that significantly and measurably reduce poverty and promote a secure future. In operation since 1910, CAHS is an independent not-for-profit organization with 501(c)3 designation. CAHS envisions a Connecticut where all children and families thrive and, regardless of income, contribute to and share in Connecticut’s growth. To realize this, CAHS:

- Convenes and builds coalitions that engage policy makers, existing networks, and general public in building a family-friendly economy in Connecticut.
- Develops the capacity of leaders and communities to take action on statewide family economic security issues.
- Provides information on and access to basic resources, financial education, and the building of assets.
- Researches, analyzes, and evaluates current trends, needs, gaps, and progress being made in the economic well-being of children and families, and then shares these findings with target audiences.

Effective January 1, 2020, CAHS entered into a Merger Agreement with AIDS Connecticut, Inc. (“ACT”), a Connecticut nonstock corporation exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. Effective May 1, 2020, CAHS merged its operations and financial activity with ACT.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

CAHS complies with the *Financial Statements of Not-for-Profit Organizations* topic of the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification. Under this topic, CAHS reports information regarding its financial position and activities according to the following net asset categories:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by the Board of Directors.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of CAHS and/or the passage of time, or which may be perpetual.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncements

In November 2016, the FASB issued an update, (“ASU 2016-18”) *Restricted Cash*, to ASC Topic 230, *Statement of Cash Flows*. ASU 2016-18 requires entities to include restricted cash or restricted cash equivalents with cash and cash equivalents balances in the statement of cash flows. ASU 2016-15 and ASU 2016-18 are effective for reporting periods beginning after December 15, 2018 for nonpublic reporting entities, with early adoption permitted. CAHS adopted ASU 2016-15 and ASU 2016-18 in 2019, which did not have a material impact on CAHS’s financial statements.

On January 1, 2019, CAHS 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 CAHS will recognize revenue when it transfers control over promised goods or services in an amount that reflects the consideration to which CAHS expects to be entitled in exchange for those goods or services. CAHS adopted the new revenue guidance using the modified retrospective method on January 1, 2019.

CAHS evaluated each revenue stream and applied ASU 2014-09. As a result of this change in accounting guidance, CAHS updated its revenue recognition policies and disclosures. ASU 2014-09 did not impact the amount of revenue recognized in previous periods, and, accordingly, there was no impact to CAHS’s opening net asset balances upon adoption. CAHS does not expect the impact of the adoption of the new standard to be material to the results of operations on an ongoing basis.

During the six-month period ended December 31, 2019, CAHS adopted ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which provides clarification about whether a transfer of assets is a contributions or an exchange transaction and whether a contribution is conditional or unconditional. CAHS 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, 2019 and revenue related to agreements that were entered into after January 1, 2019. As a result, there was no cumulative effect adjustment to opening net assets without donor restrictions or opening net assets without donor restrictions the effect of adopting the new accounting principle has no effect on grant, contracts, and contribution revenue.

Cash Equivalents

For the purposes of the statements of cash flows, CAHS considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

Cash – Fiscal Agent Funds

CAHS acts as a fiscal agent for certain programs. The funding received for these programs is held in separate bank accounts which are restricted for use in accordance with the respective program. See Note 7 for disclosure over fiscal agent funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contracts

CAHS receives grant and contract funding from various foundations to provide a variety of program services to the public based on certain performance requirements included in the agreement, and the incurrence of allowable qualifying expenses and other requirements. Such foundation grants and contracts are nonreciprocal transactions and include conditions stipulated by the foundations and are, therefore, accounted for as conditional contributions. Public support is recognized as revenue when conditions are satisfied, typically when the Partnership has incurred expenditures in compliance with specific contract or grant provisions.

Grants receivable are supported by contracts with foundations, and based on historical experience, management believes these receivables represent negligible credit risk. Accordingly, management has not established an allowance for potential credit losses.

Cash received on foundation grants and contracts prior to incurring allowable expenses are recorded as advances upon receipt.

Contributions

Contributions are defined as voluntary, nonreciprocal transfers. Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as net assets with donor restrictions support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished net assets with donor restrictions are released to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions that are received and released in the same period are presented with without donor restrictions. Conditional gifts, with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor.

Contribution receivable are all expected to be collected within one year. Management determined all receivables are collectible.

Memberships

Membership revenue is recognized over the term of the membership.

Revenue Concentration

For the six-month period ended December 31, 2019, approximately 18% and 12% of CAHS's funding came from JP Morgan Chase and Key Bank, respectively.

Cost Allocation

The costs of providing CAHS's various programs and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, all costs with the exception of site costs have been allocated among the programs and supporting services based on time and effort. Site costs are classified as program costs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

Accounting for Contributions Received and Contributions Made requires recognition of donated services if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services were provided, but were not recognized as revenue in the financial statements since they do not meet the criteria for recognition.

Income Taxes

CAHS is organized as a Connecticut non-stock corporation and is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events Measurement Date

CAHS monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the period ended December 31, 2019 through July 7, 2020, the date on which financial statements were available to be issued. See Note 12 for subsequent events.

NOTE 3 – CONCENTRATION OF CREDIT RISK

CAHS maintains cash in bank accounts, which at times, may exceed federally insured limits. CAHS has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash or cash equivalents.

NOTE 4 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects CAHS's financial assets as of December 31, 2019, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions:

Cash and cash equivalents	\$ 802,656
Grants, fees and contributions receivable	136,446
Financial assets at year end	<u>939,102</u>
Less net assets with donor restrictions	75,752
Financial assets available for expenditure within one year	<u><u>\$ 863,350</u></u>

As part of CAHS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

CAHS also has committed lines of credit totaling \$150,000 which are available to draw upon to help manage unanticipated liquidity needs.

NOTE 5 – GRANTS, FEES AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2019, grants, fees and contributions receivable consisted of the following:

Foundations and contributions	\$ 84,362
Government grants	39,500
Fee income	11,584
Other	1,000
Total	<u>\$ 136,446</u>

NOTE 6 – LINES OF CREDIT

CAHS has two lines of credit from two separate lenders for \$75,000 each with an interest rate of 8% and 4%, respectively. One line of credit expires on January 2021 and the other has no expiration date. The notes are secured by CAHS’s net assets. As of December 31, 2019, there were no outstanding balances on the lines of credit.

NOTE 7 – RESTRICTED CASH – FISCAL AGENT FUNDS

As of December 31, 2019, fiscal agent funds consisted of the following:

New England Fathering Conference	\$ 27,303
Commission on Women, Children & Seniors	4,246
Keep the Promise	60,558
Connecticut Parents as Teachers	13,627
Total fiscal agent funds	<u>\$ 105,734</u>

NOTE 8 – UNEMPLOYMENT RESERVE FUND

CAHS maintains an Unemployment Trust Reserve account to manage its unemployment claims. The account is held and managed by Unemployment Services Trust (“UST”). CAHS has recorded and asset on the statements on financial position which represents the amount of cash in the reserve account, and a liability for expected claims to be paid.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows at December 31, 2019:

Early Childhood Alliance	\$ 67,995
CDC Forum	7,757
Total net assets with donor restrictions	<u>\$ 75,752</u>

NOTE 10 – LOBBYING EXPENSES

Lobbying expenses for the six-month period ended December 31, 2019, were as follows:

Salaries and fringe	\$	658
Consultants		3,333
Total	\$	<u>3,991</u>

NOTE 11 – LEASE COMMITMENTS

CAHS has entered into a lease for 4,400 square feet of office space with a term through July 31, 2020. CAHS has an option to extend the lease term for an additional three (3) year period. The monthly rent is \$4,530. Rental expense for the six-month period ended December 31, 2019 was \$17,580.

In August 2016, CAHS entered into a 60-month operating lease for two copiers. The monthly payment is \$695.

Future minimum lease payments for operating leases are as follows for the years ending December 31,:

2020	\$	64,479
2021		17,699
2022		695
	\$	<u>82,178</u>

NOTE 12 – RETIREMENT PLANS

CAHS maintains a defined contribution plan based on a calendar year. Full-time employees who have attained 21 years of age and completed one year of service are eligible to participate in the plan.

The employer contribution amount is 3% of the respective employees' annual compensation. Total contributions to this plan were \$7,043 the six-month period ended December 31, 2019.

NOTE 13 – SUBSEQUENT EVENTS

Effective January 1, 2020, CAHS merged its operations and financial activity with ACT.

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. CAHS's operating activities, liquidity, and 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 CAHS expects this matter to negatively impact the business, the related financial impact cannot be reasonably estimated at this time.

NOTE 13 – SUBSEQUENT EVENTS (CONTINUED)

Additionally, on April 22, 2020, CAHS received approval for a Small Business Administration (“SBA”) Paycheck Protection Program (PPP) loan in the amount of \$169,300. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over the eight week period following the date of funding. In order to qualify for forgiveness, the funding must be spent on eligible payroll expenses, with up to 25%, or \$42,325, may be spent on other eligible expenditures, such as mortgage interest, rent and utilities. As outlined by the SBA, any unforgiven balance must be repaid over two years at an annual interest rate of 1% with an initial deferment period of six months from disbursement date of loan (interest will accrue). Loan forgiveness provisions have been evolving and changing and may be subject to further revision by the United States Congress.

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