

FRIENDSHIP SERVICE CENTER, INC.

Independent Auditors' Report

Financial Statements

Supplementary Information

June 30, 2020 and 2019



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FRIENDSHIP SERVICE CENTER, INC.

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June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Friendship Service Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Friendship Service Center, Inc. which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors consider internal control relevant to Friendship Service Center, Inc.'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 Friendship Service Center, Inc.'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 Friendship Service Center, Inc., as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Friendship Service Center, Inc. as of June 30, 2019, were audited by other auditors, whose report dated September 30, 2019, expressed an unmodified opinion on those statements.

Other Matters***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 15 to 19 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information shown on pages 15 to 19 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information shown on pages 15 to 19 is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Whittlesey PC".

Hartford, Connecticut
October 30, 2020

FRIENDSHIP SERVICE CENTER, INC.

Statements of Financial Position

June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and restricted cash	\$ 904,239	\$ 871,505
Accounts receivable, net	121,319	17,702
Prepaid expenses	101,407	128,395
Total current assets	1,126,965	1,017,602
Noncurrent assets:		
Investments	1,413,398	1,454,851
Property and equipment, net	11,640,041	11,716,600
Escrow - deposit	198,309	193,368
Total noncurrent assets	13,251,748	13,364,819
Total assets	\$ 14,378,713	\$ 14,382,421
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 262,563	\$ 220,030
Security deposit	29,968	29,968
Funds held for the benefit of clients	65,575	48,242
Total current liabilities	358,106	298,240
Noncurrent liabilities:		
Refundable advance (PPP)	205,000	-
Mortgage payable	6,866,395	6,866,395
Total noncurrent liabilities	7,071,395	6,866,395
Total liabilities	7,429,501	7,164,635
Net assets:		
Without donor restrictions:		
Operating	762,168	912,730
Board designated	1,413,398	1,454,851
Property and equipment (net of debt)	4,773,646	4,850,205
Total net assets without donor restrictions	6,949,212	7,217,786
Total liabilities and net assets	\$ 14,378,713	\$ 14,382,421

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

FRIENDSHIP SERVICE CENTER, INC.

Statements of Activities

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues and support		
Grants from governmental agencies	\$ 2,633,532	\$ 2,224,149
Contributions and grants	237,708	268,726
Program fees	27,739	67,372
Net investment income	14,807	30,412
Rental income	28,004	19,500
Total revenues and support	<u>2,941,790</u>	<u>2,610,159</u>
Expenses		
Program services	2,813,179	2,659,663
Administrative and general	416,894	408,485
Fundraising	4,159	6,478
Total expenses	<u>3,234,232</u>	<u>3,074,626</u>
Change in net assets before other changes	(292,442)	(464,467)
Change in realized and unrealized gain on investments	23,868	66,439
Total change in net assets	<u>(268,574)</u>	<u>(398,028)</u>
Net assets - beginning of year	<u>7,217,786</u>	<u>7,615,814</u>
Net assets - end of year	<u>\$ 6,949,212</u>	<u>\$ 7,217,786</u>

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

FRIENDSHIP SERVICE CENTER, INC.

Statements of Functional Expenses

For the years ended June 30, 2020, and 2019

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 938,237	\$ 323,026	\$ -	1,261,263	\$ 889,565	\$ 278,447	\$ -	1,168,012
Fringe benefits	195,596	64,862	-	260,458	197,859	61,933	-	259,792
Total salaries and fringe benefits	1,133,833	387,888	-	1,521,721	1,087,424	340,380	-	1,427,804
Maintenance and repairs	398,820	613	-	399,433	373,664	2,114	-	375,778
Direct client support	305,777	-	-	305,777	334,683	-	-	334,683
Utilities	204,625	407	-	205,032	207,638	408	-	208,046
Supplies and materials	95,653	5,486	-	101,139	62,808	6,138	-	68,946
Contracted services	89,927	9,590	-	99,517	65,898	36,259	-	102,157
Insurance	67,106	1,677	-	68,783	57,099	9,447	-	66,546
Real estate tax	50,844	-	-	50,844	36,354	-	-	36,354
Other	13,548	1,153	4,159	18,860	15,978	9,845	6,478	32,301
Total expenses before depreciation	2,360,133	406,814	4,159	2,771,106	2,241,546	404,591	6,478	2,652,615
Depreciation	453,046	10,080	-	463,126	411,931	10,080	-	422,011
Total expenses	\$ 2,813,179	\$ 416,894	\$ 4,159	\$ 3,234,232	\$ 2,653,477	\$ 414,671	\$ 6,478	\$ 3,074,626

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

FRIENDSHIP SERVICE CENTER, INC.

Statements of Cash Flows

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (268,574)	\$ (398,028)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	463,126	422,011
Change in realized and unrealized gain on investments	(23,868)	(66,439)
Change in operating assets and liabilities:		
Accounts receivable	(103,617)	196,562
Prepaid expenses	26,988	(94,915)
Accounts payable and accrued expenses	42,533	(175,491)
Security deposit	-	16,083
Refundable advance (PPP)	205,000	-
Funds held for the benefit of clients	17,333	(4,218)
Net change in cash from operating activities	<u>358,921</u>	<u>(104,435)</u>
Cash flows from investing activities		
Proceeds from sales of long-term investments	80,128	92,978
Purchases of long-term investments	(14,807)	(29,939)
Withdrawals/(deposits) to reserves held by lender, net	(4,941)	46,421
Purchase of property and equipment	(386,567)	(221,658)
Net change in cash from investing activities	<u>(326,187)</u>	<u>(112,198)</u>
Net change in cash	32,734	(216,633)
Cash and restricted cash, beginning of year	871,505	1,088,138
Cash and restricted cash, end of year	<u>\$ 904,239</u>	<u>\$ 871,505</u>

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

FRIENDSHIP SERVICE CENTER, INC.

Notes to the Financial Statements

June 30, 2020 and 2019

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization– The mission of The Friendship Service Center, Inc. (the Agency) is: “with community collaboration, our work is love made visible through supportive services and partnership with people experiencing or at risk of homelessness.”

Founded on October 15, 1968, the Agency began when Monsignor Farrell said he was opening a center in New Britain where it could be known that “nobody is a nobody in the eyes of God” and where the center’s work would be “Love Made Visible”. The Agency’s mission has expanded to provide services to the Central Connecticut Coordinated Access Network (New Britain, Berlin, Bristol, Plainville, Southington).

Operating as a not-for-profit, the Agency provides direct services to the poor, needy men, women and children in the Central Connecticut Coordinated Access Network in the form of housing and basic needs assistance via the emergency shelter, transitional housing and permanent supportive housing, community kitchen, emergency needs assistance for individuals and families, outreach to those still living in places not meant for human habitation, and assistance with obtaining Social Security benefits for those who are homeless and mentally ill.

Four buildings are owned and operated by the Agency: The Virginia C. Davis Friendship Service Center Building (Davis Building) located at 241-249 Arch Street, The American Savings Foundation Building (Foundation Building) located at 85 Arch Street, the Ellen Perkins Simpson Building (Simpson Building) located at 57-61 Arch Street, and the Howey House Building located at 180 North Street (Howey House).

Renovated in 1992, the Davis Building began operations shortly thereafter. The Davis Building houses the Emergency Shelter, Transitional Living Program, Community Kitchen, PEAK Program (scattered site permanent supportive housing) and staff offices.

Purchased by the Agency in 2000, the Vega Building (as it was then known) at 57-61 Arch Street was renovated, opened and renamed the Simpson Building in 2010. The Simpson Building houses 9 project based permanent supportive housing apartments (ASH). Assalam Halal leases 57 and 61 Arch as a restaurant and a market.

The Agency purchased 85 Arch Street in 2005, demolished the building in 2008, and erected a new structure which was completed in 2010. This building is now known as the Foundation Building. The Foundation Building houses the one case manager for the Arch Street Housing (ASH), Emergency Needs Program, PATH Program (outreach to those living on the streets), SOAR (assistance in obtaining social security benefits), administrative offices, staff offices, Property Management offices, a computer resource room for client use, a Conference/Board Room and 12 project based permanent supportive housing apartments (ASH).

The Simpson and Foundation Buildings were renovated and built, respectively, through the Next Steps State Program with funding from the Connecticut Housing Finance Authority, the United States Department of Housing and Urban Development and private funds raised through a capital campaign and are now known collectively as Arch Street Housing and utilized primarily as permanent supportive housing.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Howey House was completed in July 2018 providing 11 units of supportive housing with both subsidies and case management for chronically homeless and disabled individuals, with a focus on youth (18-25) and veterans. Also in the building are staff offices, a conference room, and common living areas.

Basis of Presentation– The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Agency, and changes therein, are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Agency and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. The Agency has not recorded any net assets with donor restrictions as of June 30, 2020 and 2019.

Adoption of New Accounting Pronouncement - Effective July 1, 2019, the Agency adopted ASU No. 2018-08 – *Not-For-Profit Entities (Topic 958): “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.”* The update clarifies guidance about whether a transfer of assets is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. In comparison to the year ended June 30, 2019, the effect of adopting the new accounting principle has no effect on grant revenue.

A portion of the Agency’s revenue is derived from cost-reimbursable 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 statements of financial position.

Effective July 1, 2019, the Agency adopted ASU No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes a single comprehensive model for an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled, and supersedes nearly all existing revenue recognition guidelines, to clarify and converge revenue recognition principles under US GAAP. The update requires more comprehensive disclosures relating to quantitative and qualitative information for amounts, timing, the nature and uncertainty of revenue and cash flows arising from contracts with customers. The application of this guidance did not have an impact on the financial statements.

Income Tax Status – The Agency is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) for the U.S. Internal Revenue Code. The Agency has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Restricted Cash – Restricted cash consists of funds held for the benefit of clients. The balance in restricted cash was \$65,874 and \$65,909, as of June 30, 2020 and 2019, respectively.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments – The Agency follows ASC 820, *Fair Value Measurements and Disclosures*. The Agency has characterized its financial assets into a three-level fair value hierarchy, based on the priority of the inputs used to value these assets. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial assets and liabilities fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the financial asset. Financial assets recorded in the combined statements of financial position are categorized based on the inputs to valuation techniques as follows:

Level 1 - Values are based on unadjusted quoted prices for identical asset or liabilities in an active market that the Agency has the ability to access.

Level 2 - Values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the assets or liabilities such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 - Values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect the assumptions market participants would use in pricing the assets.

The investments consist of equity mutual funds, money market funds, and the Community Foundation of Greater New Britain (“CFGNB”) endowment fund. The fair value measurements and levels within the fair value hierarchy of those measurements for the equity mutual funds and money market funds are reported at their fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions. These funds are considered Level 1.

The CFGNB endowment fund is valued at the daily closing price as reported by the fund. Mutual funds held by the custodian are open-end mutual funds that are registered with the Securities and Exchange Commission. These are required to publish their daily net asset value (“NAV”) and to transact at that price.

Unrealized gains and losses are included in the statements of activities.

Grants and Contracts – The Agency received grant and contract funding from various federal and state governments 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 government grants and contracts are nonreciprocal transactions and include conditions stipulated by the government agencies and are therefore accounted for as conditional contributions. Public support is recognized as revenue when conditions are satisfied, typically when the Agency has incurred expenditures in compliance with specific contract or grant provisions. Revenues for services and support fees are recognized as services are performed. The Agency had unexpended contributions and grants of approximately \$235,000 and \$173,000, respectively, at June 30, 2020 and 2019, that have not been recognized pending fulfillment of conditions associated with the awards.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 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.

Donated Materials and Services – At times, the Agency receives donated food, materials, and volunteer assistance from various sources. For donated food, materials and services where no objective basis of valuation exists for all such items and hours, they are not reflected in the accompanying financial statements.

Program Fees and Rental Income – Program fees and rental income are recognized ratably over the period the services are provided on a straight-line basis. The proceeds from program fees and rental income are recognized when the performance obligation is satisfied in the form of goods, services or benefits related to the programs being provided. Deposits, advances and upfront payments are contract liabilities and are recorded as deferred revenue upon receipt. Contract assets for unbilled services and receivables for billed unpaid services are included in accounts receivable.

Functional Expenses – Expenses are charged to programs based on direct expenses incurred. Any program expenses not directly chargeable are allocated to programs based on direct program employee hours to total employee hours or direct program square footage to total square footage, whichever is appropriate. The Agency's general approach to cost allocations is as follows: allowable direct costs are charged directly to programs, grants, activity, etc. Payroll and benefit expenses are charged directly to the various programs, if these costs benefit more than one program they are allocated based on the ratio of each program's salaries to the total of the selected program's salaries. Allocations for utilities and building expenses are based on the number of employees in each location.

Property and Equipment – Acquisitions or donations of fixed assets are recorded at cost or their fair market value at the date of the gift. Depreciation is provided for over the estimated useful lives of the assets on a straight-line basis.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	27 – 40 years
Equipment and furnishings	3 – 10 years

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

Reclassifications – Certain amounts reported in the prior period have been reclassified in order to conform to the current year presentation.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events – In preparing these financial statements, management has evaluated subsequent events through October 30, 2020, which represents the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF ASSETS

The Agency’s financial assets available for general expenditure within one year of the balance sheet date are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and restricted cash	\$ 904,239	\$ 871,505
Investments	1,413,398	1,454,851
Accounts receivable, net	<u>121,319</u>	<u>17,702</u>
	2,438,956	2,344,058
Less investment amounts not to be used within one year:	<u>1,342,728</u>	<u>1,454,851</u>
	<u><u>\$ 1,025,558</u></u>	<u><u>\$ 889,207</u></u>

As part of its liquidity management, the Agency structures its financial assets to be available as general expenditures, liabilities and other obligations become due.

With the Board of Trustees’ approval, between 4-6% of the average investment balance over the past three years can be withdrawn and used for operations on an annual basis. The amount withdrawn from the endowment was \$80,128 and \$94,481 for the years ended June 30, 2020 and 2019, respectively.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Agency maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on cash.

NOTE 4 – INVESTMENTS – FAIR VALUE MEASUREMENTS

Fair value of investments consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Equity mutual funds	\$ 1,301,993	\$ 1,374,990
Money market funds	102,445	71,294
CFGNB endowment fund	<u>8,960</u>	<u>8,567</u>
	<u><u>\$ 1,413,398</u></u>	<u><u>\$ 1,454,851</u></u>

NOTE 5 – PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows as of June 30:

	2020	2019
Land	\$ 295,911	\$ 295,911
Building and improvements	15,539,620	15,154,925
Equipment and furnishings	341,193	344,092
	<u>16,176,724</u>	<u>15,794,928</u>
Less: accumulated depreciation	4,536,683	4,078,328
Property and equipment, net	<u>\$ 11,640,041</u>	<u>\$ 11,716,600</u>

NOTE 6 – MORTGAGE PAYABLE AND ESCROW DEPOSITS

On May 29, 2009, the Agency executed a promissory note for \$6,866,395, payable to the Connecticut Housing Finance Authority (“CHFA”). The mortgage proceeds were used to construct a three story facility consisting of approximately 20,457 square feet, at 85 Arch Street New Britain, CT (completed August 2010) and to renovate a 19,788 square foot building at 57-61 Arch Street New Britain, CT (completed June 2010). The entire project sits on two lots totaling .538 acres and consists of fourteen one bedroom units, three two bedroom units, four three bedroom units, some common spaces, administrative and staff offices, and retail spaces.

Interest shall accrue at 4% per annum on the principal advanced. No payments of interest or principal are due and payable during the term of the loan until maturity except for annual payments of interest or principal which may be payable from surplus cash (as defined by CHFA) from the project. For the years ended June 30, 2020 and 2019 these payments were \$-0-. Pursuant to the terms of the loan, there are circumstances under which the loan and accrued interest would be forgiven at maturity. The mortgage maturity date is August 1, 2040. Since the Agency is not required to pay the accrued interest it has not been included in the accompanying financial statements. At June 30, 2020 and 2019, the amount of accrued interest, was \$2,863,983 and \$2,566,440, respectively. At June 30, 2020 and 2019, the mortgage balance was \$6,866,395.

The Agency has deposited in escrow with CHFA for the years ended June 30, 2020 and 2019, \$198,309 and \$193,368, respectively. The escrow funds are to be held as satisfaction of the taxes, insurance, replacement reserves, operating reserves, and working capital deposit requirements.

NOTE 7 – REFUNDABLE ADVANCE (PAYCHECK PROTECTION PROGRAM LOAN PAYABLE)

During 2020, the Agency received approval for a Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loan in the amount of \$205,000. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over the eight to twenty-four week period (the “covered period”) following the date of funding. In order to qualify for forgiveness, the funding must be spent on eligible payroll expenses, and up to 40% may be spent on other eligible expenditures, such as rent and utilities. As outlined by the SBA, any unforgiven balance must be repaid over two years, unless lender and borrower mutually agree to extend the maturity of such loans to five years at an annual interest rate of 1% with an initial deferment period of ten months after the conclusion of the covered period (interest will accrue). Details of eligible forgivable expenses are fluid, and final guidance has not yet been determined by the SBA or banks. As of June 30, 2020, the entire amount received, \$205,000, is recorded as a refundable advance.

NOTE 8 – BOARD DESIGNATED NET ASSETS

On October 7, 1993, the Board of Directors of the Agency created an endowment fund, and during the year ended June 30, 1998, a Board of Trustees was created to manage the endowment fund. All endowment fund assets have been classified as net assets without donor restrictions.

The reconciliation of the Agency’s endowment assets is as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 1,454,851	\$ 1,451,451
Interest and dividend income	22,132	43,438
Realized (loss) on investments	(46,730)	(5,466)
Unrealized gains	70,598	71,905
Investment expenses	(7,325)	(11,996)
Appropriation of endowment assets for expenditures	(80,128)	(94,481)
Balance at year end	<u>\$ 1,413,398</u>	<u>\$ 1,454,851</u>

NOTE 9 – RETIREMENT PLAN

The Agency has a 401(k) retirement plan which is comprised entirely of voluntary employee contributions. All employees are eligible for this plan, but the Agency does not make any contributions to this plan, therefore pension expense was \$-0- for the years ended June 30, 2020 and 2019.

NOTE 10 – CONCENTRATION OF REVENUE

For the years ended June 30, 2020 and 2019, approximately 91% and 83%, respectively of the Agency’s funding came from government grants.

NOTE 11 – LEASE COMMITMENTS

On May 14, 2009, the Agency entered in a lease for 24 parking spaces. The term of the lease is for ten years. The lease term ended March 31, 2020 and a 10-year renewal option was exercised. Two additional successive 10-year renewals are available at the Agency’s option. The monthly lease payment is \$360.

Future minimum lease payments over the term of the lease are as follows:

For the year ending June 30, 2021	\$ 3,240
2022	3,240
2023	3,240
2024	3,240
2025	3,240
Thereafter	<u>15,120</u>
Total	<u>\$ 31,320</u>

NOTE 12 – CONTINGENCIES

Grants require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions can result in the return of funds to grantors. The Agency’s contract with the Connecticut Department of Mental Health and Addiction Services (“DMHAS”) requires a portion of the Agency’s operating surplus to be returned to DMHAS unless DMHAS agrees to apply the funds to a future period.

The State of Connecticut Department of Housing has restricted the use on the properties located at 241-249 Arch Street and 180 North Street in New Britain, Connecticut, via a lien. These liens will remain on the properties in perpetuity to ensure that the Agency operates the programs specified under the grant terms.

NOTE 13 – RISKS AND UNCERTAINTIES

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.

STATEMENT OF OPERATIONS

Connecticut Housing Finance Authority
Asset Management - Multifamily Housing

CHFA Form HM 6-50 (Rev. 12/2017--Effective FYE 12/31/2017)

Project Name: <u>Arch Street Housing</u>	Fiscal Year-End: <u>June 30, 2020</u>
CHFA Number: <u>07-017SH</u>	Beginning Date: <u>July 1, 2019</u>
HUD Number: <u>N/A</u>	Mortgagor: <u>Friendship Service Center, Inc.</u>

Part I- P&L	Description of Account	HUD Acct. #	SHP Acct. #	Amount*	
Rental Income 5100	Rent Revenue- Gross Potential (Tenant's Portion)	5120	3100	\$	42,556
	Rental Income-Excess of Base	5120.1	3100.1	\$	-
	Tenant Assistance Payments (HAP Receipts)	5121		\$	192,729
	Tenant Assistance Payments (RAP Receipts)	5121.1	2811	\$	-
	Tenant Assistance Payments (ERAP Receipts)	5121.2		\$	-
	Tenant Assistance Payments - Congregate	5121.3		\$	-
	Rent Revenue- Stores & Commercial	5140		\$	22,992
	Rent Revenue- Garage & Parking	5170	3300	\$	-
	Flexible Subsidy Revenue	5180		\$	84,000
	Miscellaneous Rent Revenue**	5190	3120 & 3300	\$	-
	Excess Rent	5191	3100.1	\$	-
	Excess Utilities	5191.1	3110	\$	-
	Rent Revenue- Insurance	5192		\$	-
	Special Claims Revenue	5193	3220	\$	-
Retained Excess Income	5194		\$	-	
	Total Rent Revenue (GPI @ 100% Occupancy)	5100T			\$ 342,277
Vacancies 5200	Apartments- Vacancy	5220	3210	\$	3,613
	Stores & Commercial- Vacancy	5240		\$	21,191
	Rental Concessions	5250		\$	-
	Garage & Parking- Vacancy	5270		\$	-
	Miscellaneous** (other vacancy)	5290		\$	-
	Total Vacancies	5200T			\$ 24,804
	Net Rental Revenue Rent Revenue Less Vacancy	5125N			\$ 317,473
	Elderly & Congregate Service Income (attach schedule)	5300			\$ -
Financial Revenue 5400	Financial Revenue - Project Operations	5410	3610	\$	2,997
	Revenue from Investments - Residual Receipts	5430		\$	-
	Revenue from Investments - Replacement Reserves	5440		\$	-
	Revenue from Investments - Miscellaneous **	5490		\$	-
	Total Financial Revenue	5400T			\$ 2,997
Other Revenue 5900	Laundry & Vending Revenue	5910	3620	\$	2,016
	Tenant Charges	5920		\$	-
	Sales & Service to Tenants (including Cable TV fees)	5943	3510	\$	-
	Interest Reduction Payments	5945		\$	-
	Grant Income - Capital Grant - Unrestricted	5980		\$	-
	Grant Income - Capital Grant - Temporarily Restricted	5981		\$	-
	Miscellaneous Revenue (Specify) **	5990	6100	\$	-
	Total Other Revenue	5900T			\$ 2,016
	Total Revenue	5000T			\$ 322,486
Administrative Expenses 6200/6300	Conventions & Meetings	6203	4153	\$	131
	Management Consultants	6204		\$	-
	Advertising & Marketing	6210		\$	-
	Apartment Resale Expenses (Coops)	6235		\$	-
	Other Renting Expenses	6250	4152	\$	-
	Office Salaries	6310	4120	\$	39,998
	Salaries - RSC	6310.1		\$	-
	Office Expenses	6311		\$	3,683
	Office or Model Apartment Rent	6312		\$	-
	Compensated Absences - Administrative Salaries	6313	4120.1	\$	-
	Management Fee	6320	4132	\$	16,841
	Manager or Superintendent Salaries	6330		\$	-
	Administrative Rent Free Unit	6331		\$	-
	Legal Expense (Project)	6340	4130	\$	2,081
	Audit Expense	6350		\$	500
	Bookkeeping Fees/Accounting Services	6351	4131	\$	-
	Bad Debts	6370	4820	\$	-
State Service Charge - Administrative	6380	4716	\$	-	
Miscellaneous Administrative Expenses **	6390		\$	-	
	Total Administrative Expenses	6263T			\$ 63,234

Statement of Operations

Part I- Cont.

	Description of Account	HUD Acct. #	SHP Acct. #	Amount*	
Utilities Expenses 6400	Fuel Oil/ Coal	6420	4340	\$ -	
	Electricity	6450	4320	\$ 43,363	
	Water	6451	4310	\$ 16,973	
	Gas	6452	4330	\$ 17,905	
	Sewer	6453	4360	\$ -	
	Cable Television	6454	4350	\$ -	
	Total Utilities Expense	6400T			\$ 78,241
Operating & Maintenance Expenses 6500	Payroll	6510	4410	\$ -	
	Compensated Absences - Maintenance Wages	6510.1	4410.1	\$ -	
	Supplies	6515	4420	\$ 8,607	
	Contracts	6520	4430	\$ 129,294	
	Operating & Maintenance Rent Free Unit	6521		\$ 1,473	
	Garbage & Trash Removal	6525	4710	\$ 9,142	
	Security Payroll/ Contracts	6530		\$ 10,688	
	Security Rent Free Unit	6531		\$ -	
	Heating/Cooling Repairs & Maintenance	6546		\$ 7,151	
	Snow Removal	6548		\$ -	
	Vehicle & Maintenance Equip. Operation & Repair	6570	4440	\$ -	
	Miscellaneous Operating & Maintenance **	6590	6200	\$ -	
	Total Operating & Maintenance Expenses	6500T			\$ 166,355
Taxes & Insurance 6700	Real Estate Tax	6710	4715	\$ 33,434	
	Payroll Taxes (project share)	6711	4161	\$ 3,060	
	Property & Liability Insurance	6720	4711	\$ 35,816	
	Fidelity Bond Insurance	6721		\$ -	
	Workmen's Compensation	6722		\$ 60	
	Health Insurance & Other Benefits	6723	4160	\$ 5,130	
	Pension Expense	6724		\$ -	
	Other Post-Employment Benefits Expense	6725		\$ -	
	Misc. Taxes, Licenses, Permits & Insurance **	6790		\$ -	
		Total Taxes & Insurance	6700T		
Financial Expenses 6800	Interest on Mortgage Payable	6820	4717	\$ -	
	Interest on Capital Improvement Loan	6821		\$ -	
	Interest on Other Mortgages	6825		\$ -	
	Interest on Notes Payable (Long Term)	6830		\$ -	
	Interest on Notes Payable (Short Term)	6840		\$ -	
	Mortgage Insurance Premium/ Services Charges	6850		\$ -	
	Miscellaneous Financial Expenses **	6890		\$ -	
	Total Financial Expenses	6800T			\$ -
	Elderly & Congregate Services Exp. (attach schedule)	6900			\$ -
	Total Cost of Operations before Depreciation & Int.	6000T			\$ 385,330
	Profit (Loss) before Depreciation & Int.	5060T			\$ (62,844)
	Depreciation Expenses	6600		\$ 223,465	
	Amortization Expense	6610		\$ -	
	Total Depreciation & Amortization Expense				\$ 223,465
	Operating Profit (Loss) after Depreciation & Int.	5060N			\$ (286,309)
Entity Expenses 7100	Officer's Salaries	7110		\$ -	
	Legal Expenses	7120		\$ -	
	Federal, State, and Other Income Taxes	7130		\$ -	
	Interest Income	7140		\$ -	
	Interest on Notes Payable	7141		\$ -	
	Interest on Mortgage Payable	7142		\$ -	
	Other Expenses	7190		\$ -	
	Net Entity Expenses	7100T			\$ -
	Net Profit (Loss)	3250			\$ (286,309)

* All amounts must be rounded to the nearest dollar, \$.50 and over, round up, \$.49 and below, round down.

** If miscellaneous or Other Income and Expense Accounts exceed the Account Groupings by 10% or more, attach a separate schedule describing or explaining the Income or Expense.

Statement of Operations
Part II- Principal & Reserve

1 Total principal payments required under the mortgage in the audit year (12 monthly payments). This applies to all direct loans and HUD-held and fully insured mortgages. Any HUD approved second mortgages should be included in the figures.	\$	-
2 Replacement Reserve deposits required by the Regulatory Agreement or Amendments thereto, even if payments may be temporarily suspended or waived.	\$	10,626
3 Replacement or Painting Reserve releases which are included as expense items on the Income Statement.	\$	-
4 Project Improvement Reserve Releases under the Flexible Subsidy Program that are included as expense items on this Income Statement.	\$	-

Part III- Income & Expense Sub-Accounts

	Description of Account	HUD Acct. #	SHP Acct. #	Amount*	
Tenant Charges 5920	NSF & Late Charges	5915		\$ -	
	Damages & Cleaning Fees	5930		\$ -	
	Forfeited Tenant Security Deposits	5940		\$ -	
	Tenant Charges	5920			\$ -
Office 6311	Office Supplies	6315	4151	\$ 1,498	
	Telephone and Answering Service	6360		\$ 2,185	
	Office Expenses	6311			\$ 3,683
Payroll 6510	Janitor and Cleaning Payroll	6511		\$ -	
	Grounds Payroll	6535		\$ -	
	Repairs Payroll	6540		\$ -	
	Payroll	6510			\$ -
Supplies 6515	Janitor and Cleaning Supplies	6516		\$ -	
	Exterminating Supplies	6522		\$ -	
	Ground Supplies	6536		\$ -	
	Repairs Material	6541		\$ 8,607	
	Decorating Supplies	6561		\$ -	
	Supplies	6515	4420		\$ 8,607
Contracts 6520	Janitor and Cleaning Contracts	6517		\$ 1,657	
	Exterminating Contracts	6519		\$ -	
	Grounds Contracts	6537		\$ 4,320	
	Repairs Contracts	6542		\$ 114,701	
	Elevator Maintenance Contract	6545		\$ 8,616	
	Swimming Pool Maintenance Contract	6547		\$ -	
	Decorating (Painting) Contract/Payroll	6560		\$ -	
	Contracts	6520	4430		\$ 129,294
Misc. 6790	Miscellaneous Taxes, Licenses, Permits	6719		\$ -	
	Other Insurance	6729		\$ -	
	Miscellaneous Taxes, Permits & Insurance	6790			\$ -

*** Owner to specify account numbers if not provided

**COMPUTATION OF SURPLUS CASH,
DISTRIBUTIONS, AND RESIDUAL RECEIPTS**

Connecticut Housing Finance Authority
Asset Management - Multifamily Housing

CHFA Form HM 6-51 (Rev. 12/2014)

Project Name: <u>Arch Street Housing</u>	Fiscal Year-End: <u>June 30, 2020</u>
CHFA Number: <u>07-017SH</u>	Beginning Date <u>July 1, 2019</u>
HUD Number: <u>N/A</u>	Mortgagor: <u>Friendship Service Center, Inc.</u>

Part A - COMPUTE SURPLUS CASH

CASH	1. Cash (Accounts 1110, 1120, 1191, 1192)	\$ 20,545	
	2. Tenant Subsidy vouchers due for period covered by financial statement	\$ -	
	3. Other (describe)	\$ -	
	(A) Total Cash (Add Lines 1, 2, and 3)		\$ 20,545
CURRENT OBLIGATIONS	4. Accrued mortgage interest payable	\$ -	
	5. Delinquent mortgage principal payments	\$ -	
	6. Delinquent deposits to reserve for replacements	\$ -	
	7. Accounts payable (due within 30 days)	\$ 17,447	
	8. Loans and notes payable (due within 30 days, if allowed under CHFA loan documents)	\$ -	
	9. Deficient Tax Insurance or MIP Escrow Deposits	\$ -	
	10. Accrued expenses (not escrowed)	\$ -	
	11. Prepaid Rents (Account 2210)	\$ -	
	12. Tenant security deposits liability (Account 2191)	\$ 11,393	
	13. Other (Describe)	\$ -	
	Asset and Partnership Management Fee		
	(B) Less: Total Current Obligations (Add Lines 4 through 13)		\$ 28,840
	(C) Surplus Cash (Deficiency)(Line (A) minus Line (B))		\$ (8,295)

Part B - COMPUTE DISTRIBUTIONS TO OWNERS AND REQUIRED DEPOSIT TO RESIDUAL RECEIPTS

	1a. Surplus Cash (From Line (C))		\$ (8,295)
	1b. Less: Additional Interest Due CHFA, if applicable		\$ -
	1c. Surplus Cash Available for Distribution		\$ (8,295)
LIMITED DIVIDEND PROJECTS	2a. Annual Distribution Earned During Fiscal Period Covered by Statement	\$ -	
	2b. Distribution Accrued and Unpaid as of the End of the Fiscal Period	\$ -	
	2c. Distributions Paid During Fiscal Period Covered by Statement	\$ -	
	3. Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid (Line 2a plus 2b minus 2c)	\$ -	
	4. Amount Available for Distribution During Next Fiscal Period		\$ -
	5. Deposits Due Residual Receipts (Must be deposited with Mortgagee within 60 days after Fiscal Period ends)		\$ -

**COMPUTATION OF
NET OPERATING INCOME**

Connecticut Housing Finance Authority
Asset Management - Multifamily Housing

CHFA Form HM 6-52 (Rev. 12/2014)

Project Name: <u>Arch Street Housing</u>	Fiscal Year-End: <u>June 30, 2020</u>
CHFA Number: <u>07-017SH</u>	Beginning Date: <u>July 1, 2019</u>
HUD Number: <u>N/A</u>	Mortgagor: <u>Friendship Service Center, Inc.</u>

Part I - COMPUTE NET OPERATING INCOME (Source HM 6-50 "Statement of Operations")

	Account #	
A. Profit (Loss) before Depreciation	5060T	\$ (62,844)
B. Less: Revenue from Investments - Residual Receipts	5430	\$ -
C. Less: Revenue from Investments - Replacement Reserves	5440	\$ -
D. Less: Revenue from Investments - Miscellaneous (Restricted Accounts Only)	5490	\$ -
E. Plus: Total Financial Expenses	6800T	\$ -
F. Less: Replacement Reserve Deposits	Part II #2	\$ 10,626
G. Net Operating Income (NOI)		\$ (73,470)

Part II - IDENTIFY SPECIAL FINANCIAL CONDITIONS FOR ADJUSTMENT

A. Replacement Reserves

1) Disbursements from replacement reserve during period covered by the statement \$ -

a) Plus: Pending requests at year-end for the release of funds from the replacement reserve to cover items either expensed or capitalized during the period covered by the statement \$ -

b) Less: Total of funds received from replacement reserve during the period covered by the statement that were expensed or capitalized in prior years \$ -

c) Less: Amount capitalized as increases in fixed assets during the period covered by the statement \$ -

d) Total disbursements from the replacement reserve included as expenses on HM 6-50 \$ -

2) Are there any extraordinary or one-time sources of income and/or expense(s) that are included on the Statement of Operations? (e.g.: Proceeds from Insurance claim not received in the same period as the loss) YES NO

3) If YES, explain reason(s) and amount(s) below:

	\$ -
	\$ -
	\$ -
	\$ -

TOTAL Extraordinary or one-time income / expense(s) \$ -

B. Other Restricted Reserves

1) Have all disbursements from other restricted reserve accounts (Operating Reserve, Residual Receipts, etc.) been capitalized as Increases on the Schedule of Fixed Assets? YES NO N/A

2) If NO, what is the amount of other restricted reserve account releases that are represented as expenditures on the Statement of Operations? Explain reason(s) and amount(s) below:

	\$ -
	\$ -

\$ -

C. Interest Reduction Payments (HUD Section 236 developments only)

1) Are Interest Reduction Payments (IRP) from HUD Section 236 contracts shown as Income in Account #5945 and included in the expense line item Interest on Mortgage Payable in Account #6820? YES NO N/A

2) If NO, what is the annual amount of the IRP paid to CHFA by HUD on the development's behalf not included as income in Account #5945? \$ -

Part III - ADJUSTED NET OPERATING INCOME FROM PART II

	Source	
Net Operating Income	Part I - G	\$ (73,470)
Plus: Replacement Reserve releases included as expenses in Statement of Operations	Part II - A1	\$ -
Less/Plus: Extraordinary or one-time income / expense(s)	Part II - A3	\$ -
Plus: Other Restricted Reserve Accounts	Part II - B2	\$ -
Plus: Interest Reduction Payments	Part II - C2	\$ -
Equals: Adjusted Net Operating Income (NOI)		\$ (73,470)

FRIENDSHIP SERVICE CENTER, INC.

Certifications

June 30, 2020

Certification

Narrative

I hereby certify that I have examined the accompanying financial statements and supplemental data and, to the best of my knowledge and belief, the same is complete and accurate.



October 30, 2020

Name of Signatory

Barbara Lazarski

Title of Certifying Official

Interim Executive Director

Managing Agent's Certification

Narrative

I hereby certify that I have examined the accompanying financial statements and supplemental data and, to the best of my knowledge and belief, the same is complete and accurate.

Name of Managing Agent

Property Manage CT



October 30, 2020

Name of Signatory

Corey Kosienski

Auditors' Transmittal Letter

Audit Firm

Whittlesey PC

Lead Auditor

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