THE HOUSING COLLECTIVE, INC.

Independent Auditors' Report

Financial Statements

December 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Housing Collective, Inc.

Opinion

We have audited the financial statements of The Housing Collective, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Housing Collective, Inc. as of December 31, 2022, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, The Housing Collective, Inc. changed its method of accounting for leases in 2022 as required by the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update Number 2016-02. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Housing Collective, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Housing Collective, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Housing Collective, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Housing Collective, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The Housing Collective, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Whittlesey PC

Hartford, Connecticut
December 12, 2023

THE HOUSING COLLECTIVE, INC.

Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash	$ 1,302,925	$ 563,868
Grants receivable	5,076,074	3,257,761
Accounts receivable	251,610	184,841
Prepaid expenses and security deposits	26,824	27,395
Equipment, net of accumulated depreciation	47,924	27,395
Right to use operating lease asset	173,620	-
Total assets	$ 6,878,977	$ 4,061,260
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 2,034,541	$ 1,561,719
Due to funding source	15,811	138,649
Accrued expenses	297,106	107,759
Loan payable - Paycheck Protection Program	-	4,894
Refundable advance - LCCHO	300,000	-
Operating lease liability	174,025	-
Refundable advances	3,557,583	1,910,516
Total liabilities	6,379,066	3,723,537
Net assets		
Without donor restrictions	494,357	332,169
With donor restrictions	5,554	5,554
Total net assets	499,911	337,723
Total liabilities and net assets	$ 6,878,977	$ 4,061,260

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

THE HOUSING COLLECTIVE, INC.

Statement of Activities

For the year ended December 31, 2022
(With comparative totals for the year ended December 31, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and support:				
Government grants	$ 8,704,689	$ -	$ 8,704,689	$ 5,519,570
Private grants and contributions	289,760	370,259	660,019	459,354
Membership fees	-	-	-	13,000
Development consulting fees	18,000	-	18,000	31,497
Paycheck Protection Program	-	-	-	131,291
Net assets released from restrictions	370,259	(370,259)	-	-
Total revenues and support	9,382,708	-	9,382,708	6,154,712
Expenses:				
Program	8,635,772	-	8,635,772	5,655,323
Management and general	380,940	-	380,940	238,158
Fundraising	203,808	-	203,808	112,553
Total expenses	9,220,520	-	9,220,520	6,006,034
Change in net assets	162,188	-	162,188	148,678
Net assets, beginning of year	332,169	5,554	337,723	189,045
Net assets, end of year	$ 494,357	$ 5,554	$ 499,911	$ 337,723

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

THE HOUSING COLLECTIVE, INC.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

		2022		2021
Cash flows from operating activities:				
Change in net assets	$	162,188	$	148,678
Adjustments to reconcile change in net assets to net change in cash from operating activities:				
Depreciation		26,570		25,479
Amortization of right of use operating lease asset		43,718		-
Forgiveness of debt - Paycheck Protection Program		-		(131,291)
Changes in assets and liabilities:				
Grants receivable		(1,818,313)		(2,072,177)
Accounts receivable		(66,769)		290,539
Prepaid expenses and security deposits		571		(6,588)
Accounts payable		472,822		585,070
Due to funding source		(122,838)		138,649
Accrued expenses		189,347		(55,155)
Refundable advance - LCCHO		300,000		-
Operating lease liability		(43,718)		-
Refundable advances		1,647,067		614,663
Net change in cash from operating activities		790,645		(462,133)
Cash flows from investing activities:				
Purchase of equipment		(46,694)		(5,915)
Net change in cash from investing activities		(46,694)		(5,915)
Cash flows from financing activities:				
Payments on loan payable - Paycheck Protection Program		(4,894)		(38,737)
Net change in cash from financing activities		(4,894)		(38,737)
Net change in cash		739,057		(506,785)
Cash, beginning of year		563,868		1,070,653
Cash, end of year	$	1,302,925	$	563,868
Supplemental disclosure of cash flow information:				
ROU assets obtained in exchange for operating lease liabilities	$	217,743		-

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

NOTE 1 - SUMMARY OF OPERATIONS:

The Housing Collective, Inc. (the "Corporation") is a non-stock corporation founded to anticipate and meet the permanent supportive housing needs of the chronic homeless in Coastal Fairfield County, Connecticut; to facilitate and enable the funding, development, and management of permanent supportive housing units and the infrastructure and talent necessary to fill the gap between needs and resources; to support state and country-wide efforts to address the needs of the chronic homeless population; and to provide people in need the stability and opportunity to regain their confidence, rebuild their lives and achieve independence. Effective January 1, 2022, the Corporation's name was changed from Supportive Housing Works, Inc. to The Housing Collective, Inc.

Program activities are as follows:

The Corporation is the regional administrator for the Connecticut Rapid Re-Housing Program ("CTRRP"), a state-wide initiative funded by the Connecticut Department of Housing. CTRRP is designed to assist homeless households as they quickly move out of homelessness and into permanent housing through the provision of time-limited housing supports and strategies with the ultimate goal of housing stability. Contracting with the following regional providers: Operation Hope (Greater Bridgeport Area), Homes With Hope (Greater Norwalk Area), Inspirica (Greater Stamford Area) and the Association of Religious Communities; the Corporation ensures that rapid rehousing services are seamlessly implemented to ensure regional coverage throughout the Coordinated Access Network area.

The Corporation also serves as the regional administrator for Fairfield County's Coordinated Access Network that is funded from the Connecticut Department of Housing. This funding also includes awards from the U.S. Department of Housing and Urban Development ("HUD"). Additionally, the Corporation is a subcontractor of the Connecticut Coalition to End Homelessness ("CCEH") to serve as a fiduciary agent for the Fairfield County Coordinated Access Network for coordinated access support. CCEH receives this funding from the Community Investment Act.

The Corporation supports Opening Doors Fairfield County, the regional HUD designated Continuum of Care system through funding by HUD's Continuum of Care Homeless Assistance program. Activities include designing and carrying out a collaborative process for the development of an application to HUD; evaluating the outcomes of projects for which funds are awarded; and developing a regionwide process involving the coordination of multiple stakeholders for ending homelessness.

The Corporation is a subcontractor of Operation Hope who receives funding from the Connecticut Department of Mental Health & Addiction Services to operate the Bridgeport Housing First ("BHF") Program, a successful locally designed multi-agency initiative that was originally funded under a three-year federal grant. Under the BHF program, the Corporation funds a Team Leader and provides leadership and programming support to oversee the operation of housing chronically homeless households in the greater Bridgeport area.

The Corporation promotes cross sector collaboration between the region's Workforce Development Board ("The Workplace Inc.") and the area's prominent homeless providers that include Alpha Community Services, Central Connecticut Coast YMCA and New Reach.

The goal of Supportive Services for Veteran Families ("SSVF") is to help veteran families who are homeless or at risk of homelessness, quickly regain stability in permanent housing. Identifying housing opportunities and providing technical assistance, the Corporation ensures successful implementation of this Employment/Housing Model.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting. Revenue is recognized as it is earned and expenses are recognized as they are incurred.

Basis of Presentation

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

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

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

Grants and Accounts Receivable

Grants and accounts receivable represent uncollected amounts earned in accordance with contractual agreements. A provision for doubtful accounts has not been established as management considers all accounts to be collectible based upon contractual agreements and a favorable history of collection. As such, there is no allowance for doubtful accounts as of December 31, 2022 and 2021.

Equipment

The Corporation capitalizes all expenditures for equipment having a useful life of greater than one year. Purchased equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are three to five years.

Development Consulting Fees

The Corporation consults on a variety of matters related to housing and related activities. Consulting fees are recognized when consulting activities are performed.

Grants

Grants may be considered an exchange transaction or a conditional/unconditional promise to give. The Corporation recognizes grants deemed to be exchange transactions when performance obligations are met. Grants considered to be unconditional promises to give are recognized when awarded. Grants considered to be conditional promises to give, that is, those with a measurable performance or other barrier and right of return, are recognized when the conditions are met. Failure to fulfill the conditions could result in the return of funds to the grantor.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*:

A portion of the Corporation's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Corporation 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. The Corporation received cost-reimbursement grants that have not been recognized at December 31, 2022 because qualifying expenses have not yet been incurred, with advance payments of $3,557,583 and $1,910,516 recognized in the statements of financial position as refundable advances at December 31, 2022 and 2021, respectively. The Corporation received an overpayment of $15,811 and $138,649 included in due to funding source at December 31, 2022 and 2021. The Corporation has not been informed by any agencies of any funds which are required to be returned.

Contributions

The Corporation reports unconditional promises to give as revenue when the promise is received. Conditional promises to give are recognized as revenue when the condition is met. Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Corporation is exempt from Federal income taxes under Section 501(c) (3) of the Internal Revenue Code and from Connecticut income taxes. Therefore, no provision has been made for Federal or State income taxes.

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 the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses and changes in net assets during the reporting period. Actual results may differ from those estimates.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. See also note 10. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses are allocated based on time and effort, except for depreciation, which is allocated based on square footage.

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standard Update ("ASU") No. 2016-02, Leases (Topic 842). The amendments in this update require lessees to recognize on the statement of financial position, assets and liabilities for the rights and obligations created by leases. The guidance was adopted by the Corporation on January 1, 2022.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*:

The Corporation has elected certain practical expedients upon adoption and therefore has not reassessed whether any expired or existing contracts contain leases, has not reassessed the lease classification for any expired or existing leases and has not reassessed initial direct costs for any existing leases. Upon adoption, the Corporation recorded an increase in assets and liabilities of $217,743 as a result of recognizing the right-of use asset and lease liability. Adoption did not result in a cumulative-effect adjustment to beginning net assets.

Subsequent Events

The Corporation monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for fiscal year ended December 31, 2022 through December 12, 2023, the date on which the financial statements were available to be issued.

NOTE 3 - EQUIPMENT:

Equipment is as follows at December 31,:

	2022	2021
Equipment	$ 181,168	$ 134,033
Accumulated depreciation	(133,244)	(106,638)
Total	$ 47,924	$ 27,395

NOTE 4 - CONCENTRATION OF CREDIT RISK:

The Corporation maintains its cash in bank accounts at large financial institutions. Cash mainly consists of checking accounts. Accounts at the financial institutions are insured by the Federal Deposit Insurance Corporation. Bank accounts, at times, may exceed federally insured limits. The Corporation has not experienced any losses on such accounts and the banks' financial strength is monitored on an ongoing basis.

NOTE 5 - PENSION PLAN:

The employees of the Corporation participate in a simple IRA plan, covering substantially all employees meeting minimum eligibility requirements. Employees are not required to contribute in any given year, but can contribute up to $12,500 ($15,500 if the employee is over age 50). The Corporation may match up to 3% of eligible employee compensation, not to exceed $12,500 per employee. For the years ended December 31, 2022 and 2021, retirement expense was $16,377 and $14,064, respectively.

NOTE 6 - LINE OF CREDIT:

The Corporation entered into an agreement with a bank for a two year, $250,000 revolving line of credit, at an interest rate of 1.75% plus the prime rate which may be drawn upon to provide necessary working capital for affordable housing projects. The line of credit expires in June 2024. At December 31, 2022 and 2021, there was no outstanding balance.

NOTE 7 – OPERATING LEASES:

The Corporation leases office space through August 31, 2025 with monthly payments of $5,688. Rent expense for this lease totaled $68,253 and $68,638 for the years ended December 31, 2022 and 2021.

The estimated present value of the remaining lease payments, using a discount rate of 3%, and excluding the unexercised option periods, is $174,025 and is included in liabilities, and the related right-of-use asset is included in assets in the accompanying statement of financial position as of December 31, 2022.

Minimum lease commitments under these operating leases are as follows for the years ending December 31,:

2023	$ 64,506
2024	66,123
2025	50,517
Total undiscounted cash flows	181,146
Less present value discount	(7,121)
	$ 174,025

NOTE 8 - RELATED PARTY TRANSACTIONS:

The Corporation's Board of Directors includes representatives from member agencies where the Corporation conducts transactions during the normal course of business. Revenues earned and expenses incurred from member agencies where various Board members are employed were as follows for the years ended December 31,:

	2022	2021
Revenues	$ 513,072	$ 203,715
Expenses	1,251,041	2,180,813

NOTE 9 - LIQUIDITY AND AVAILABILITY:

The following reflects the Corporation's financial assets available for general expenditure within twelve months of December 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions.

	2022	2021
Financial assets available to meet general expenditure in the next twelve months:		
Cash	$ 1,302,925	$ 563,868
Grants receivable	5,076,074	3,257,761
Accounts receivable	251,610	184,841
	6,630,609	4,006,470
Less amounts not available to be used within twelve months:		
Net assets with donor restrictions	5,554	5,554
Financial assets available to meet general expenditure over the next twelve months	$ 6,625,055	$ 4,000,916

The Corporation's goal is generally to maintain assets to meet 90 days of operating expenses. The Corporation also has a $250,000 line of credit to utilize for expenses if needed.

NOTE 10 – FUNCTIONAL EXPENSE ALLOCATION:

Functional expenses were as follows for the years ended December 31,:

	2022			
	Program	Management and General	Fundraising	Total
Salaries	$ 864,156	$ 212,436	$ 107,611	$ 1,184,203
Subcontractors	5,593,804	-	-	5,593,804
Fringe benefits	138,587	34,069	17,258	189,914
Client assistance	1,406,449	-	-	1,406,449
Rent	50,004	12,292	6,227	68,523
Professional fees	212,519	63,166	52,458	328,143
Conference, travel and lodging	171	10,775	21	10,967
Depreciation	19,389	4,766	2,415	26,570
Training	87,072	21,031	10,447	118,550
Computer support	51,293	-	-	51,293
Food and hospitality	15,397	3,785	1,917	21,099
Office supplies	11,000	2,874	1,370	15,244
Communications and outreach	62,433	-	-	62,433
Telecommunications	10,409	2,559	1,296	14,264
Donations and sponsorships	-	2,932	-	2,932
Insurance	9,997	2,457	1,245	13,699
Program supplies	101,666	5,594	1,365	108,625
Other	1,426	2,204	178	3,808
Total Expenses	$ 8,635,772	$ 380,940	$ 203,808	$ 9,220,520

	2021			
	Program	Management and General	Fundraising	Total
Salaries	$ 795,617	$ 119,103	$ 65,736	$ 980,456
Subcontractors	3,540,250	-	-	3,540,250
Fringe benefits	141,758	21,221	11,712	174,691
Client assistance	594,280	-	-	594,280
Rent	55,698	8,338	4,602	68,638
Professional fees	156,688	24,332	12,946	193,966
Conference, travel and lodging	3,727	558	308	4,593
Depreciation	20,676	3,095	1,708	25,479
Training	44,867	6,716	3,707	55,290
Computer support	29,910	-	-	29,910
Food and hospitality	1,883	282	156	2,321
Office supplies	14,193	2,454	1,173	17,820
Marketing	69,990	10,477	5,783	86,250
Communications and outreach	63,496	-	-	63,496
Telecommunications	7,159	1,071	592	8,822
Donations and sponsorships	-	11,000	-	11,000
Insurance	5,474	819	452	6,745
Program supplies	67,505	-	-	67,505
Bad debt	-	20,318	-	20,318
Other	3454	2581	481	6516
	$ 5,655,323	$ 238,158	$ 112,553	$ 6,006,034

NOTE 11 – LOAN PAYABLE - PAYCHECK PROTECTION PROGRAM:

The Corporation received approval for a Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loan in the amount of $174,922 and received the loan funds on April 24, 2020. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over an eight to twenty-four-week period following the date of funding. In order to qualify for forgiveness, at least 60% of the funds must be spent on eligible payroll expenses, and up to 40% may be spent on other expenditures, such as rent and utilities. Any unforgiven balance must be repaid over two years at an annual interest rate of 1%, with an initial deferment period of ten months from the end of the covered period (interest will accrue). $4,894 and $174,922 was recorded as a loan payable at December 31, 2021 and 2020, respectively. During 2022, $131,291 was forgiven and is recognized as income on the statement of activities. $38,737 of the loan was paid back to the SBA during the year ended December 31, 2021. The balance of $4,894 was paid off in February 2022.

NOTE 12 – REFUNDABLE ADVANCE - LCCHO

The Corporation entered into an agreement with the State of Connecticut Department of Housing (“DOH”) to support shared regional staffing and capacity through its Litchfield County Center for Housing Opportunity (“LCCHO”). As part of this agreement, the DOH provided $300,000 of seed money through December 31, 2022 to begin this project.

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