

**HUMAN SERVICES COUNCIL, INC.
AND SUBSIDIARY**

Independent Auditors' Report
Consolidated Financial Statements

June 30, 2017 and 2016



**INDEPENDENT AUDITORS' REPORT ON
THE CONSOLIDATED FINANCIAL STATEMENTS**

To the Board of Directors
Human Services Council, Inc. and Subsidiary
Norwalk, Connecticut

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Human Services Council, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 consolidated financial statements.

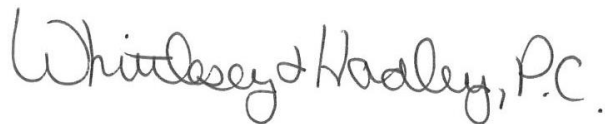
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position, activities and changes in net assets and cash flows for the Organization shown on pages 16-21 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "Whittlesey & Hadley, P.C.".

Hartford, Connecticut
September 12, 2017

**HUMAN SERVICES COUNCIL, INC.
AND SUBSIDIARY**

Consolidated Statements of Financial Position

June 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents (Note 2)	\$ 543,645	\$ 661,413
Accounts receivable, net (Note 2)	117,124	56,462
Prepaid expenses	4,639	2,806
Tenant security deposits	17,090	18,298
Property and equipment, net (Notes 2 and 3)	2,751,871	2,784,297
 Total assets	 \$ 3,434,369	 \$ 3,523,276
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 46,046	\$ 82,217
Refundable advance (Note 2)	-	13,533
Security deposits	14,100	14,100
Mortgage payable - HSC (Note 5)	1,226,363	1,257,063
Mortgages payable - 40 South Main (Notes 5 and 11)	1,608,600	1,608,600
 Total liabilities	 2,895,109	 2,975,513
Net Assets		
Unrestricted (Note 2)	423,418	391,721
Temporarily restricted (Notes 2 and 9)	98,292	138,492
Permanently restricted (Notes 2 and 8)	17,550	17,550
 Total net assets	 539,260	 547,763
 Total liabilities and net assets	 \$ 3,434,369	 \$ 3,523,276

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

**HUMAN SERVICES COUNCIL, INC.
AND SUBSIDIARY**

Consolidated Statement of Activities and Changes in Net Assets

For the year ended June 30, 2017 (with comparative totals for the year ended June 30, 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and Revenue					
Government grants	\$ 753,136	\$ -	\$ -	\$ 753,136	\$ 562,257
Other grants and donations (Note 2)	275,690	-	-	275,690	407,087
Rent revenue, net (Note 2)	335,551	-	-	335,551	322,583
Special events	114,270	-	-	114,270	119,905
One Park Street occupant rent (Note 6)	217,856	-	-	217,856	218,527
Program and other revenue	319,785	-	-	319,785	196,971
Interest	18	459	-	477	476
Other support and revenue	2,509	-	-	2,509	2,986
Released from restriction (Note 9)	40,659	(40,659)	-	-	-
Total support and revenue	2,059,474	(40,200)	-	2,019,274	1,840,792
Expenses					
Program expenses	1,769,630	-	-	1,769,630	1,586,593
Management and general	98,051	-	-	98,051	93,604
Fundraising	34,504	-	-	34,504	25,890
Total expenses	1,902,185	-	-	1,902,185	1,706,087
Change in support and revenue over/(under) expenses	157,289	(40,200)	-	117,089	134,705
Other Expenses					
Depreciation (Notes 2 and 3)	125,033	-	-	125,033	118,763
Amortization	559	-	-	559	559
Change in net assets	31,697	(40,200)	-	(8,503)	15,383
Net assets - beginning of year	391,721	138,492	17,550	547,763	532,380
Net assets - end of year	<u>\$ 423,418</u>	<u>\$ 98,292</u>	<u>\$ 17,550</u>	<u>\$ 539,260</u>	<u>\$ 547,763</u>

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

**HUMAN SERVICES COUNCIL, INC.
AND SUBSIDIARY**

Consolidated Statement of Activities and Change in Net Assets

For the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Government grants	\$ 562,257	\$ -	\$ -	\$ 562,257
Other grants and donations (Note 2)	302,087	115,000	-	417,087
Rent revenue, net	322,583	-	-	322,583
Special events	119,905	-	-	119,905
One Park Street occupant rent (Note 6)	218,527	-	-	218,527
Program and other revenue	196,971	-	-	196,971
Interest	17	459	-	476
Other support and revenue	2,986	-	-	2,986
Released from restriction	30,975	(30,975)	-	-
Total support and revenue	1,756,308	84,484	-	1,840,792
Expenses				
Program expenses	1,586,593	-	-	1,586,593
Management and general	93,604	-	-	93,604
Fundraising	25,890	-	-	25,890
Total expenses	1,706,087	-	-	1,706,087
Change in support and revenue over expenses	50,221	84,484	-	134,705
Other Expenses				
Depreciation (Notes 2 and 3)	118,763	-	-	118,763
Amortization	559	-	-	559
Change in net assets	(69,101)	84,484	-	15,383
Net assets - beginning of year	460,822	54,008	17,550	532,380
Net assets - end of year	<u>\$ 391,721</u>	<u>\$ 138,492</u>	<u>\$ 17,550</u>	<u>\$ 547,763</u>

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

**HUMAN SERVICES COUNCIL, INC.
AND SUBSIDIARY**

Consolidated Statements of Cash Flows
For the years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets:	\$ (8,503)	\$ 15,383
Adjustments to reconcile change in net assets to net change in cash and cash equivalents from operating activities:		
Depreciation and amortization	125,592	119,322
Increase (decrease) in cash arising from changes in operating assets and liabilities:		
Accounts receivable, net	(60,662)	(19,923)
Accounts payable and accrued expenses	(36,171)	1,882
Refundable advance	(13,533)	13,533
Tenant security deposits	1,208	683
Prepaid expenses	(1,833)	17,066
	6,098	147,946
Cash flows from investing activities		
Payments for property and equipment	(92,607)	(48,904)
	(92,607)	(48,904)
Cash flows from financing activities		
Principal payments on notes payable	-	(7,008)
Principal payments on mortgage payable	(31,259)	(29,630)
	(31,259)	(36,638)
Net change in cash and cash equivalents	(117,768)	62,404
Cash and cash equivalents at beginning of year	661,413	599,009
	\$ 543,645	\$ 661,413
Supplemental information		
Interest paid	\$ 104,415	\$ 107,653

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

**HUMAN SERVICES COUNCIL, INC.
AND SUBSIDIARY**

Consolidated Statement of Functional Expenses

For the year ended June 30, 2017 (with comparative totals for the year ended June 30, 2016)

	2017			2016	
	Program	Management and General	Fundraising	Total	Total
Salary and Related Expenses					
Salaries	\$ 965,910	\$ 53,118	\$ 13,649	\$ 1,032,677	\$ 866,207
Payroll taxes	102,207	5,988	998	109,193	88,775
Employee benefits	96,696	5,259	1,192	103,147	94,354
Total salary and related expenses	1,164,813	64,365	15,839	1,245,017	1,049,336
Other Expenses					
Advertising	2,209	2,048	-	4,257	2,455
Bad debts	10,916	-	-	10,916	21,442
Bank charges	1,347	2,184	-	3,531	7,017
Conferences and meetings	2,971	100	-	3,071	1,639
Contract services	21,804	1,080	-	22,884	39,713
Dues and subscriptions	1,700	955	-	2,655	3,280
Equipment	8,687	852	-	9,539	9,242
Insurance	67,013	1,007	-	68,020	58,669
Interest	97,169	7,246	-	104,415	107,653
Office supplies	14,394	891	-	15,285	11,779
Postage	-	1,740	-	1,740	2,200
Professional fees	42,126	1,611	-	43,737	60,220
Program	114,979	-	-	114,979	88,497
Property taxes	26,054	1,604	-	27,658	26,691
Repairs and maintenance	76,338	5,211	-	81,549	75,363
Special events	-	-	18,665	18,665	17,531
Travel and transportation	4,080	1,460	-	5,540	4,858
Utilities	113,030	5,697	-	118,727	118,502
Total expenses	\$ 1,769,630	\$ 98,051	\$ 34,504	\$ 1,902,185	\$ 1,706,087

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

**HUMAN SERVICES COUNCIL, INC.
AND SUBSIDIARY**

Consolidated Statement of Functional Expenses

For the year ended June 30, 2016

	Program	Management and General	Fundraising	Total
Salary and Related Expenses				
Salaries	\$ 810,207	\$ 49,123	\$ 6,877	\$ 866,207
Payroll taxes	84,116	4,236	423	88,775
Employee benefits	86,857	6,688	809	94,354
Total salary and related expenses	981,180	60,047	8,109	1,049,336
Other Expenses				
Advertising	2,409	46	-	2,455
Bad debts	21,192	-	250	21,442
Bank charges	-	7,017	-	7,017
Conferences and meetings	1,639	-	-	1,639
Contract services	38,417	1,296	-	39,713
Dues and subscriptions	2,450	830	-	3,280
Equipment	9,242	-	-	9,242
Insurance	55,104	3,565	-	58,669
Interest	100,731	6,922	-	107,653
Office supplies	10,833	946	-	11,779
Postage	1,937	263	-	2,200
Professional fees	57,903	2,317	-	60,220
Program	88,497	-	-	88,497
Property taxes	25,980	711	-	26,691
Repairs and maintenance	71,102	4,261	-	75,363
Special events	-	-	17,531	17,531
Travel and transportation	4,250	608	-	4,858
Utilities	113,727	4,775	-	118,502
Total expenses	<u>\$ 1,586,593</u>	<u>\$ 93,604</u>	<u>\$ 25,890</u>	<u>\$ 1,706,087</u>

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

**HUMAN SERVICES COUNCIL, INC.
AND SUBSIDIARY**

Notes to the Consolidated Financial Statements
June 30, 2017 and 2016

NOTE 1 – THE ORGANIZATION

The financial statements present the consolidated financial results of Human Services Council, Inc. and Subsidiary (the “Organization”). The Organization is a not-for-profit corporation organized under the State of Connecticut. Human Services Council, Inc. (“HSC”) was formed approximately 80 years ago to help the community recognize and understand its human services’ needs, to stimulate interest and participation in meeting those needs, to plan and promote the orderly development of well-balanced human services programs, to systematically implement and coordinate effective programs, and to transition self-sustaining programs to other independent not-for-profit organizations. In addition to its general community human services efforts, the Organization has specific programs as follows:

- Community Prevention Task Force (CPTF)
- Mid-Fairfield Substance Abuse Coalition (MFSAC)
- School Based Health Care (SBHC)
- One Park Street (office space for other local non-profits)
- Forty South Main Street and Ludlow Commons (affordable housing)
- Community Indicators
- Children’s Connection
- Norwalk Mentor Program

Prior to May 31, 2012, HSC owned the general partnership interest in the Subsidiary, Forty South Main Limited Partnership (“40 South Main”) through its wholly owned subsidiary New Norwalk Housing Corporation (“NNHC”). On May 31, 2012, the limited partner in Forty South Main was replaced by a new entity known as 40 South Main Norwalk, LLC (the “LLC”), a wholly owned subsidiary of HSC. Upon transfer of the limited partner’s interest, 40 South Main was immediately considered technically terminated. As a result of this transaction, the basis in land, building and improvements, furniture and fixtures, deferred costs and related accumulated depreciation and amortization were reduced to book value at the time of this technical termination. On December 6, 2012, 40 South Main was dissolved and the LLC became the sole owner of the property at 40 South Main Norwalk, Connecticut. The LLC is organized for the purpose of owning, rehabilitating and renting improved real property (the “Project”) in Norwalk, Connecticut. The Project consists of forty-four residential apartment units.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization’s policy is to keep its books and records on the accrual basis of accounting.

Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly-owned subsidiary. All material intercompany accounts and transactions have been eliminated.

Estimates

The preparation of consolidated 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. This includes unrestricted cash used for operations, cash held in investment accounts and cash with donor restrictions.

Concentration of Credit Risk

The Organization maintains its cash, money market and temporary investments in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amounts management expects to collect from outstanding balances. An allowance for uncollectible accounts is maintained at a level adequate to absorb probable losses. Management determines the adequacy of the allowance based upon reviews of individual activity, recent loss experience, current economic conditions and other pertinent factors. The allowance for uncollectible accounts was \$3,436 for the years ended June 30, 2017 and 2016.

Refundable Advance

The advance represents funds received from government grants but not yet spent. The funds will be recognized as revenue when spent in future periods. If the funds are not spent, they are payable to the funding government agency.

Rental Income and Prepaid Rents

Rental income is recognized for apartment rentals as it accrues. Advance receipts of rental income are deferred and classified as liabilities until earned.

Other Grants and Donations, Rent Revenue and Program and Other Revenue

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Promises to give that are scheduled to be received after the statement of financial position date, or which are restricted by the donor to a specific purpose, which has not been met as of the statement of financial position date, are shown as increases in temporarily restricted net assets. This revenue is reclassified to unrestricted net assets when the time or purpose restrictions are met.

Unrestricted – Unrestricted net assets are unrestricted amounts that are available and include those expendable resources which have been designated for special use by the Board of Directors.

Temporarily Restricted – Temporarily restricted net assets represent those amounts which are donor restricted for special purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of changes in net assets as net assets released from restriction.

Permanently Restricted - Net assets are to be invested in perpetuity. Income earned on the investment of these net assets is unrestricted.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Property and Equipment

The Organization records purchased property and equipment at cost. Property and equipment are depreciated on a straight-line basis over five years. The building and improvements are depreciated on a straight-line basis over 40 years. Per the Organization's policy, assets over \$500 with a useful of greater than one year are capitalized. The estimated service life of the assets for depreciation purposes may be different than their actual economic useful lives.

The Organization reviews its investment in real estate for impairment whenever events changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the real estate exceeds the fair value of such property. There was no impairment loss recognized in 2017 or 2016.

Functional Expenses

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be specifically identified with a program or support service are charged directly according to their natural expenditure classifications. Other expenses that are common to several programs are allocated on estimates made by management.

Tax Exempt Status

Pursuant to a determination letter received from the Internal Revenue Service, the Human Services Council, Inc. is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

The LLC is considered a disregarded entity for income tax purposes, and as such, does not file a tax return.

NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at June 30:

	2017	2016
Land, buildings and improvements	\$ 3,824,162	\$ 3,752,362
Furniture and fixtures	115,444	115,444
Computers	110,151	89,344
Software	20,619	20,619
	<u>4,070,376</u>	<u>3,977,769</u>
Less: accumulated depreciation	<u>(1,318,505)</u>	<u>(1,193,472)</u>
Total property and equipment	<u>\$ 2,751,871</u>	<u>\$ 2,784,297</u>

NOTE 4 – LINE OF CREDIT

The Organization established a commercial revolving loan with First County Bank with a limit of \$100,000. Interest on the commercial revolving loan will accrue at the prime rate plus 1.00 percentage point, which was 4.25% for both June 30, 2017 and 2016. The outstanding balance on the line of credit was \$-0- as of June 30, 2017 and 2016.

NOTE 5 – MORTGAGES PAYABLE

HSC -

On March 19, 2014, the Organization consolidated and refinanced the mortgage and Line of Credit totaling \$1,132,970 with First County Bank. The mortgage note with First County Bank was for \$1,330,000. The fixed interest rate is 4.75%. Commencing on May 1, 2014, monthly payments will consist of interest and principal totaling \$7,637, which will mature on April 1, 2039. The loan is secured by a first and second mortgage lien on the property and the related furniture and fixtures. There is also a prepayment penalty for the first five years of the mortgage. At June 30, 2017 and 2016, the balance outstanding on the mortgage is \$1,226,363 and \$1,257,063, respectively.

40 South Main -

The note is for \$1,308,600 with an interest rate of 3.25%. Required monthly interest only payments of \$3,544 began on November 25, 2012. The note matures on November 25, 2017. The note is secured by only the first mortgage on the property known as 40 South Main Street, Norwalk, Connecticut. There are no assets of HSC that act as security for this mortgage, nor is HSC a guarantor of the loan. There is no penalty for prepayment of this loan.

Neighborhood Housing Services of Norwalk - A \$300,000 mortgage payable with 40 South Main. Interest is at 1% per annum with monthly payments of interest only at \$250 for 30 years. The entire principal balance is due in June 2026 or at the sale or refinancing of the Project. See footnote 11 for subsequent event activity related to the discharge of this mortgage as of September 1, 2017.

The future minimum debt payments are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 1,342,405
2019	35,446
2020	37,167
2021	38,972
2022	40,864
Thereafter	<u>1,040,109</u>
	2,534,963
Amount to be discharged	<u>300,000</u>
	<u><u>\$ 2,834,963</u></u>

NOTE 6 – ONE PARK STREET OCCUPANT RENT

The Organization leases a portion of its facility at One Park Street in Norwalk, Connecticut to other not-for-profit organizations at below market rates. As part of the Organization’s mission, these leases promote civic and community vibrancy through assisting small not-for-profits. As of the date of this report, some leases are operating on a month to month basis. All other leases are between one to three years. The occupants share in the increases in the operating expense over the base year operating expenses. The total future minimum lease payments to be received for each of the next remaining two years are:

<u>Year Ending June 30,</u>	
2018	\$ 171,717
2019	102,428

NOTE 7 – RETIREMENT PLAN

Employees over 21 years of age with at least one year of service with the Organization are covered under a defined contribution retirement plan. The plan is funded currently through monthly contributions. The Organization also sponsors a tax deferred annuity plan, which the employees can contribute to on a pre-tax basis. The Organization does not make any matching contributions to the tax deferred annuity plan. The total retirement expense for the years ended June 30, 2017 and 2016 was \$19,086 and \$20,240, respectively.

NOTE 8 – ENDOWMENT

The Organization accounts for and maintains its endowment funds to conform with the *Not-for-Profit Entities* topic of the FASB Accounting Standards Codification. The Organization’s endowment consists of individual funds established for a variety of purposes. Its endowment consists of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 8 – ENDOWMENT - (CONTINUED)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income
- Other resources of the Organization

Return objectives and risk parameters – The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Management has chosen to appropriate all of the interest earned on the permanently restricted endowment funds for use in operations. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

Under Connecticut law, which has adopted the provisions of UPMIFA, the Organization is permitted to appropriate as much of the investment appreciation as is prudent considering the Organization’s long and short-term needs, present and anticipated financial requirements, price level trends, the possible effect of inflation or deflation, general economic conditions, and with giving primary consideration to donor intent.

The reconciliation of the Organization’s permanently restricted cash endowment fund is as follows:

Endowment, June 30, 2015	\$	17,550
Interest		459
Appropriated for expenditures		(459)
Endowment, June 30, 2016	\$	17,550
Interest		459
Appropriated for expenditures		(459)
Endowment, June 30, 2017	\$	17,550

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Activity in temporarily restricted net assets is as follows:

	Restricted for Capital Expenditures
Temporarily restricted net assets, July 1, 2015	\$ 54,008
Additions to temporarily restricted net assets	115,459
Released from restriction	(30,975)
Temporarily restricted net assets, June 30, 2016	138,492
Additions to temporarily restricted net assets	459
Released from restriction	(40,659)
Temporarily restricted net assets, June 30, 2017	\$ 98,292

Funds were released from restriction as capital expenditures were incurred.

NOTE 10 – CONTINGENCY: 40 SOUTH MAIN NORWALK, LLC

40 South Main is in its extended use period of its low-income housing credits until 2028. Compliance with the extended use agreement is contingent on its ability to maintain compliance with Section 42 of the Internal Revenue Code. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct non-compliance within a specified time period could result in compliance actions by the monitoring agency in the State of Connecticut.

NOTE 11 – SUBSEQUENT EVENTS

The Organization monitored and evaluated any subsequent events for footnote disclosure or adjustments required in its financial statements for the fiscal year ending June 30, 2017 through September 12, 2017, the date on which financial statements were available to be issued. On September 1, 2017, 40 South Main's mortgage totaling \$300,000 with Neighborhood Housing Services of Norwalk was discharged for the consideration of one dollar and the lien on the property was removed.

**HUMAN SERVICES COUNCIL, INC.
AND SUBSIDIARY**

Consolidating Schedule of Financial Position

June 30, 2017

	Human Services Council, Inc.	40 South Main Norwalk, LLC	Consolidating Balance
Assets			
Cash and cash equivalents (Note 2)	\$ 355,195	\$ 188,450	\$ 543,645
Accounts receivable, net (Note 2)	102,384	14,740	117,124
Prepaid expenses	1,933	2,706	4,639
Tenant security deposits	-	17,090	17,090
Property and equipment, net (Notes 2 and 3)	1,324,661	1,427,210	2,751,871
	<u>\$ 1,784,173</u>	<u>\$ 1,650,196</u>	<u>\$ 3,434,369</u>
Liabilities and Net Assets			
Accounts payable and accrued expenses	\$ 15,492	\$ 30,554	\$ 46,046
Security deposits	14,100	-	14,100
Mortgage payable - HSC (Note 5)	1,226,363	-	1,226,363
Mortgage payable - 40 South Main (Notes 5 and 11)	-	1,608,600	1,608,600
	<u>1,255,955</u>	<u>1,639,154</u>	<u>2,895,109</u>
Net Assets			
Unrestricted (Note 2)	412,376	11,042	423,418
Temporarily restricted (Notes 2 and 9)	98,292	-	98,292
Permanently restricted (Notes 2 and 8)	17,550	-	17,550
	<u>528,218</u>	<u>11,042</u>	<u>539,260</u>
Total net assets	<u>\$ 1,784,173</u>	<u>\$ 1,650,196</u>	<u>\$ 3,434,369</u>
Total liabilities and net assets	<u>\$ 1,784,173</u>	<u>\$ 1,650,196</u>	<u>\$ 3,434,369</u>

**HUMAN SERVICES COUNCIL, INC.
AND SUBSIDIARY**

Consolidating Schedule of Financial Position

June 30, 2016

	Human Services Council, Inc.	40 South Main Norwalk, LLC	Consolidating Balance
Assets			
Cash and cash equivalents (Note 2)	\$ 371,877	\$ 289,536	\$ 661,413
Accounts receivable, net (Note 2)	43,281	13,181	56,462
Prepaid expenses	100	2,706	2,806
Tenant security deposits	-	18,298	18,298
Property and equipment, net (Notes 2 and 3)	1,333,715	1,450,582	2,784,297
	<u>1,748,973</u>	<u>1,774,303</u>	<u>3,523,276</u>
Total assets	<u>\$ 1,748,973</u>	<u>\$ 1,774,303</u>	<u>\$ 3,523,276</u>
Liabilities and Net Assets			
Accounts payable and accrued expenses	\$ 21,090	\$ 61,127	\$ 82,217
Refundable advance (Note 2)	13,533	-	13,533
Security deposits	14,100	-	14,100
Mortgage payable - HSC (Note 5)	1,257,063	-	1,257,063
Mortgage payables - 40 South Main (Notes 5 and 11)	-	1,608,600	1,608,600
	<u>1,305,786</u>	<u>1,669,727</u>	<u>2,975,513</u>
Total liabilities	<u>1,305,786</u>	<u>1,669,727</u>	<u>2,975,513</u>
Net Assets			
Unrestricted (Note 2)	287,145	104,576	391,721
Temporarily restricted (Notes 2 and 9)	138,492	-	138,492
Permanently restricted (Notes 2 and 8)	17,550	-	17,550
	<u>443,187</u>	<u>104,576</u>	<u>547,763</u>
Total net assets	<u>443,187</u>	<u>104,576</u>	<u>547,763</u>
	<u>\$ 1,748,973</u>	<u>\$ 1,774,303</u>	<u>\$ 3,523,276</u>
Total liabilities and net assets	<u>\$ 1,748,973</u>	<u>\$ 1,774,303</u>	<u>\$ 3,523,276</u>

**HUMAN SERVICES COUNCIL, INC.
AND SUBSIDIARY**

Consolidating Schedule of Activities and Change in Net Assets

For the year ended June 30, 2017

	Human Services Council, Inc.	40 South Main Norwalk, LLC	Consolidating Balance
Support and Revenue			
Government grants	\$ 753,136	\$ -	\$ 753,136
Other grants and donations (Note 2)	273,490	2,200	275,690
Rent revenue, net (Note 2)	-	335,551	335,551
Special events	114,270	-	114,270
One Park Street occupant rent (Note 6)	217,856	-	217,856
Program and other revenue	319,785	-	319,785
Interest	306	171	477
Other support and revenue	-	2,509	2,509
	<u>1,678,843</u>	<u>340,431</u>	<u>2,019,274</u>
Expenses			
Program expenses	1,390,276	379,354	1,769,630
Management and general	98,051	-	98,051
Fundraising	34,504	-	34,504
	<u>1,522,831</u>	<u>379,354</u>	<u>1,902,185</u>
Change in support and revenue over/(under) expenses	156,012	(38,923)	117,089
Other Expenses			
Depreciation (Notes 2 and 3)	70,422	54,611	125,033
Amortization	559	-	559
	<u>85,031</u>	<u>(93,534)</u>	<u>(8,503)</u>
Change in net assets	<u>85,031</u>	<u>(93,534)</u>	<u>(8,503)</u>
Net assets - beginning of year	<u>443,187</u>	<u>104,576</u>	<u>547,763</u>
Net assets - end of year	<u>\$ 528,218</u>	<u>\$ 11,042</u>	<u>\$ 539,260</u>

**HUMAN SERVICES COUNCIL, INC.
AND SUBSIDIARY**

Consolidating Schedule of Activities and Change in Net Assets

For the year ended June 30, 2016

	Human Services Council, Inc.	40 South Main Norwalk, LLC	Consolidating Balance
Support and Revenue			
Government grants	\$ 572,257	\$ -	\$ 572,257
Other grants and donations (Note 2)	386,570	20,517	407,087
Rent revenue, net (Note 2)	-	322,583	322,583
Special events	119,905	-	119,905
One Park Street occupant rent (Note 6)	218,527	-	218,527
Program and other revenue	196,971	-	196,971
Interest	459	17	476
Other support and revenue	-	2,986	2,986
	<u>1,494,689</u>	<u>346,103</u>	<u>1,840,792</u>
Expenses			
Program expenses	1,155,562	431,031	1,586,593
Management and general	93,604	-	93,604
Fundraising	25,890	-	25,890
	<u>1,275,056</u>	<u>431,031</u>	<u>1,706,087</u>
Change in support and revenue over/(under) expenses	219,633	(84,928)	134,705
Other Expenses			
Depreciation (Notes 2 and 3)	63,951	54,812	118,763
Amortization	559	-	559
	<u>155,123</u>	<u>(139,740)</u>	<u>15,383</u>
Change in net assets	<u>155,123</u>	<u>(139,740)</u>	<u>15,383</u>
Net assets - beginning of year	<u>288,064</u>	<u>244,316</u>	<u>532,380</u>
Net assets - end of year	<u>\$ 443,187</u>	<u>\$ 104,576</u>	<u>\$ 547,763</u>

**HUMAN SERVICES COUNCIL, INC.
AND SUBSIDIARY**

Consolidating Schedule of Cash Flows

For the year ended June 30, 2017

	Human Services Council, Inc.	40 South Main Norwalk, LLC	Consolidating Balance
Cash flows from operating activities			
Change in net assets:	\$ 85,031	\$ (93,534)	\$ (8,503)
Adjustments to reconcile change in net assets to net change in cash from operating activities:			
Depreciation and amortization	70,981	54,611	125,592
Increase/(decrease) in cash arising from changes in operating assets and liabilities:			
Accounts receivable, net	(59,103)	(1,559)	(60,662)
Accounts payable and accrued expenses	(5,598)	(30,573)	(36,171)
refundable advance	(13,533)	-	(13,533)
Tenant security deposits	-	1,208	1,208
Prepaid expenses	(1,833)	-	(1,833)
	<u>75,945</u>	<u>(69,847)</u>	<u>6,098</u>
Cash flows from investing activities			
Payments for property and equipment	(61,368)	(31,239)	(92,607)
	<u>(61,368)</u>	<u>(31,239)</u>	<u>(92,607)</u>
Cash flows from financing activities			
Principal payments on mortgage payable	(31,259)	-	(31,259)
	<u>(31,259)</u>	<u>-</u>	<u>(31,259)</u>
Net change in cash and cash equivalents	(16,682)	(101,086)	(117,768)
Cash and cash equivalents at beginning of year	371,877	289,536	661,413
Cash and cash equivalents at end of year	<u>\$ 355,195</u>	<u>\$ 188,450</u>	<u>\$ 543,645</u>
Supplemental information			
Interest paid	<u>\$ 60,381</u>	<u>\$ 44,034</u>	<u>\$ 104,415</u>

**HUMAN SERVICES COUNCIL, INC.
AND SUBSIDIARY**

Consolidating Schedule of Cash Flows

For the year ended June 30, 2016

	Human Services Council, Inc.	40 South Main Norwalk, LLC	Consolidating Balance
Cash flows from operating activities			
Change in net assets:	\$ 155,123	\$ (139,740)	\$ 15,383
Adjustments to reconcile change in net assets to net change in cash from operating activities:			
Depreciation and amortization	64,510	54,812	119,322
Increase/(decrease) in cash arising from changes in operating assets and liabilities:			
Accounts receivable, net	(17,831)	(2,092)	(19,923)
Accounts payable and accrued expenses	(1,172)	3,054	1,882
Deferred income	13,533	-	13,533
Tenant security deposits	200	483	683
Prepaid expenses	106	16,960	17,066
	<u>214,469</u>	<u>(66,523)</u>	<u>147,946</u>
Cash flows from investing activities			
Payments for property and equipment	<u>(40,179)</u>	<u>(8,725)</u>	<u>(48,904)</u>
	<u>(40,179)</u>	<u>(8,725)</u>	<u>(48,904)</u>
Cash flows from financing activities			
Principal payments on notes payable	(7,008)	-	(7,008)
Principal payments on mortgage payable	<u>(29,630)</u>	<u>-</u>	<u>(29,630)</u>
	<u>(36,638)</u>	<u>-</u>	<u>(36,638)</u>
Net change in cash and cash equivalents	137,652	(75,248)	62,404
Cash and cash equivalents at beginning of year	<u>234,225</u>	<u>364,784</u>	<u>599,009</u>
Cash and cash equivalents at end of year	<u>\$ 371,877</u>	<u>\$ 289,536</u>	<u>\$ 661,413</u>
Supplemental information			
Interest paid	<u>\$ 62,112</u>	<u>\$ 65,207</u>	<u>\$ 127,319</u>