

**Human Services Council, Inc.  
and Subsidiary**

Consolidated Financial Statements and  
State Single Audit Together With Independent  
Auditors' Reports

June 30, 2023

# Human Services Council Inc. and Subsidiary

June 30, 2023

## Table of Contents

<b>Independent Auditors' Report</b>	1-3
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8-17
<b>SUPPLEMENTARY INFORMATION</b>	
Consolidating Statement of Financial Position	18
Consolidating Statement of Activities	19
Consolidating Statement of Cash Flows	20
<b>STATE SINGLE AUDIT REPORTS AND SCHEDULES</b>	
Schedule of Expenditures of State Financial Assistance	21
Notes to Schedule of Expenditures of State Financial Assistance	22
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	
Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the State Single Audit Act	
Schedule of Findings and Questioned Costs	28



## Independent Auditors' Report

### Board of Directors Human Services Council, Inc. and Subsidiary

#### *Opinion*

We have audited the accompanying consolidated financial statements of Human Services Council, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Organization 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 opinion.

#### *Responsibilities of Management for the 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 and *Government 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to 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 Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by the State Single Audit Act (C.G.S. Section 4-230 to 4-236), and the consolidating statements of financial position, activities, and cash flows for the Organization 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Shelton, Connecticut  
December 28, 2023

## Human Services Council, Inc. and Subsidiary

### Consolidated Statement of Financial Position

June 30, 2023

#### ASSETS

Cash and cash equivalents	\$ 867,148
Accounts receivable	44,235
Grants receivable	78,500
Tenant security deposits	20,849
Property and equipment, net	<u>2,257,406</u>

Total Assets \$ 3,268,138

#### LIABILITIES AND NET ASSETS

##### Liabilities

Accounts payable and accrued expenses	\$ 208,634
Security deposits	35,483
Note payable - related party	40,000
Mortgages payable, net	<u>2,182,779</u>

Total Liabilities 2,466,896

##### Net Assets

Without donor restrictions	595,183
With donor restrictions	<u>206,059</u>

Total Net Assets 801,242

Total Liabilities and Net Assets \$ 3,268,138

See notes to consolidated financial statements

## Human Services Council, Inc. and Subsidiary

### Consolidated Statement of Activities Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Government grants	\$ 747,765	\$ -	\$ 747,765
Contributions	141,795	20,965	162,760
Rental Income	409,892	-	409,892
Special events	81,400	-	81,400
One Park Street occupant rent	258,932	-	258,932
Program and other revenue	338,914	-	338,914
Interest	152	-	152
Released from restrictions	13,648	(13,648)	-
 Total Public Support and Revenue	 1,992,498	 7,317	 1,999,815
<b>EXPENSES</b>			
Program	1,801,164	-	1,801,164
Management and general	295,228	-	295,228
Fundraising	51,179	-	51,179
 Total Expenses	 2,147,571	 -	 2,147,571
 Change in Net Assets Before Other Changes	 (155,073)	 7,317	 (147,756)
<b>OTHER CHANGES</b>			
Depreciation	(151,481)	-	(151,481)
Employee retention credit	467,459	-	467,459
 Total Other Changes	 315,978	 -	 315,978
 Change in Net SAssets	 160,905	 7,317	 168,222
<b>NET ASSETS</b>			
Beginning of year	434,278	198,742	633,020
 End of year	 \$ 595,183	 \$ 206,059	 \$ 801,242

See notes to consolidated financial statements

## Human Services Council, Inc. and Subsidiary

### Consolidated Statement of Functional Expenses

	Year Ended June 30, 2023			
	Program	Management and General	Fund- Raising	Total
<b>Salary and related expenses</b>				
Salaries	\$ 1,054,344	\$ 80,661	\$ 5,019	\$ 1,140,024
Payroll taxes	78,703	9,262	389	88,354
Employee benefits	78,331	55,632	591	134,554
Total salary and related expenses	1,211,378	145,555	5,999	1,362,932
Other direct expenses	104,262	-	-	104,262
Utilities	124,664	34,530	-	159,194
Repair and Maintenance	107,983	-	-	107,983
Insurance	60,181	35,827	-	96,008
Interest	47,735	20,397	-	68,132
Property Tax	44,045	546	-	44,591
Contract services	-	33,796	-	33,796
Professional fees	80,012	-	-	80,012
Office supplies	4,831	8,715	-	13,546
Special Events	-	-	21,279	21,279
Advertising	-	-	23,901	23,901
Equipment	-	10,540	-	10,540
Bank charges	14,683	7,398	-	22,081
Bad debt recovery	-	(4,199)	-	(4,199)
Dues and subscriptions	1,390	-	-	1,390
Postage	-	1,410	-	1,410
Travel and transportation	-	713	-	713
Total Expenses	1,801,164	295,228	51,179	2,147,571
Depreciation	131,789	19,692	-	151,481
Total Expenses and Depreciation	\$ 1,932,953	\$ 314,920	\$ 51,179	\$ 2,299,052

See notes to consolidated financial statements



## Human Services Council, Inc. and Subsidiary

### Consolidated Statement of Cash Flows Year Ended June 30, 2023

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 168,222
Adjustments to reconcile change in net assets to net change in cash from operating activities:	
Depreciation	151,481
Imputed interest	1,504
Change in operating assets and liabilities	
Grants and accounts receivable	64,738
Security deposits liability	(791)
Accounts payable and accrued expenses	<u>155,242</u>
Net Cash From Operating Activities	<u>540,396</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of property and equipment	<u>(24,983)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payments on mortgage payable	<u>(79,054)</u>
Net change in cash and restricted cash	436,359
Cash and restricted cash at beginning of year	<u>451,638</u>
Cash and restricted cash end of year	<u>\$ 887,997</u>
<b>Supplemental information</b>	
Cash paid for interest	<u>\$ 68,132</u>
<b>Cash and restricted cash</b>	
Cash and cash equivalents	\$ 867,148
Restricted cash: Tenant security deposits	<u>20,849</u>
Total cash and restricted cash shown above	<u>\$ 887,997</u>

See notes to consolidated financial statements

## Human Services Council Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023

### 1. Nature of the Organization

Human Services Council, Inc.'s ("HSC") mission is 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, HSC has specific programs as follows:

- Community Prevention Task Force (CPTF)
- School Based Health Care (SBHC)
- One Park Street (Welcome Center for Norwalk Public Schools)
- Forty South Main Street and Ludlow Commons (affordable housing)
- Children's Connection
- Norwalk Mentor Program

Forty South Main Norwalk, LLC (the "LLC") is a wholly owned subsidiary. 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.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Accounting and Principles of Consolidation***

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), and include the activities of HSC and the LLC (collectively the "Organization"). All significant intercompany accounts and transactions have been eliminated.

#### ***Estimates and Assumptions***

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash balances held in bank accounts and highly liquid debt instruments with maturities of three months or less at the time of purchase.

The Organization maintains its cash in a bank deposit account, which, at times, may exceed the Federal Deposit Insurance Corporation ("FDIC") insured limits. The Organization has not experienced any losses to date and believes it is not exposed to any significant credit risk on cash and cash equivalents. At June 30, 2023, the Organization's cash and cash equivalents exceeded the FDIC insured limits by approximately \$292,000.

## Human Services Council Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Accounts Receivable***

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization continuously monitors the creditworthiness of residents and establishes, when appropriate, an allowance for amounts that may become uncollectible in the future based on current economic trends, historical payments, and bad debt write-off experience, and any resident related collection issues. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in accounts receivable. At June 30, 2023, no allowance for doubtful accounts has been deemed necessary.

#### ***Grants Receivable***

Grants from state and other sources are recognized as revenue when the related performance requirements have been met and/or the allowance qualifying the expenses have been incurred.

#### ***Property and Equipment***

The Organization records purchased property and equipment at cost. The cost of property and equipment purchased in excess of \$500 with a minimum useful life of one year are capitalized.

Depreciation is provided using the straight-line method over estimated useful lives ranging from three to five years for furniture, fixtures, computers, and software. Building and building improvements are depreciated from ten to forty years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

#### ***Net Assets***

**Net Assets without Donor Restrictions** – net assets without donor restrictions are available for use at the discretion of the Board of Directors (“Board”) and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion.

**Net Assets with Donor Restrictions** – net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

## Human Services Council Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Change in Accounting Principle***

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. Subsequently, the FASB issued the following additional ASU's, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; ASU 2019-01, Leases (Topic 842): Codification Improvements; ASU 2020-05, Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments; and ASU 2021-09, Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities. Under Topic 842, a lessor records a lease as sales-type, direct-financing, or operating. A lease is a sales-type lease if any one of five criteria are met indicating that the lease effectively transfers control of the underlying asset to the lessee. If those five criteria are not met, but two additional criteria are both met, indicating that the lessor has transferred substantially all the risks and benefits of the underlying asset to the lessee, the lease is a direct-financing lease. All leases that are not sales-type or direct-financing leases are operating leases.

#### ***Contributions, Grants, and Contracts***

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or notification of a beneficial interest is received. Conditional promises to give – that is, those with measurable performance or other barrier and right of return – are not recognized until the conditions on which they depend have been met. State contracts and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Contributions are reported as revenue without donor restrictions or revenues with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified in the statement of activities to net assets without donor restriction. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions.

#### ***Rental Income and Prepaid Rents***

At lease inception, the Organization determines whether an arrangement qualifies as a lease under ASC 842 (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration). The Organization only reassess if the terms and conditions of the contract are changed. Advance receipts of rental income are deferred and classified as liabilities until earned. The Organization leases residential space to tenants on a month-to-month basis. Additionally, the Organization leases space to a not-for-profit entity (see Note 9).

## Human Services Council Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Special Events, Program, and Other Revenue***

The Organization has multiple revenue streams that are accounted for as reciprocal transactions. Specials events consist of revenue generated from sales of tickets and sponsorships. The proceeds from special events are recognized as revenue at a point in time when the event takes place. Program revenue and other revenue includes management fees. Management fees are recognized when the performance obligation is met, which is when the monthly service is provided.

#### ***Debt Issuance Costs***

Debt issuance costs are amortized over the life of the related financing using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective interest method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not materially different from the results that would be obtained under the effective interest method. Amortization of the debt issuance costs are reported in interest expense.

#### ***Functional Expenses***

The costs of providing programs and supporting activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents expenses by function and natural classification.

The Organization allocates its expenses on a functional basis among its programs and support services. Direct costs specific to one program and its activities are allocated to that particular program budget. Direct costs that are relevant to more than one program and its activities are allocated to the program(s) in a proportion reflective of benefit to the program(s). For example, personnel costs are allocated according to employee time spent on the program(s). Documentation (such as invoices) of products, services, and activities costs will provide guidance with regard to direct cost allocation and/or equitable allocation of non-personnel costs to one or more program budget(s). Administrative and general costs are allocated equitably (according to percentage of employee salary or FTEs to agency totals) among program budgets that allow administrative and general costs. Common expenses that benefit all functional areas of the Organization (professional fees and occupancy) are allocated to the various programs based on a percentage of program budget size, occupancy space utilized and how they relate to the total budget and occupancy space of the agency.

## Human Services Council Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2023

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Income Taxes***

HSC is a non-profit, non-stock Connecticut corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It qualifies as a publicly supported organization and is, therefore, not a private foundation.

The LLC is considered a disregarded entity for income tax purposes, and as such, does not file a tax return. Information is included in the filing for HSC.

HSC recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that HSC had no uncertain tax positions that would require financial statement recognition or disclosure. HSC is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2020.

#### ***Subsequent Events***

Management has evaluated subsequent events through December 28, 2023, the date which the financial statements were available for issue.

### 3. Property and Equipment

Land, building, and improvements	\$ 4,081,247
Furniture and fixtures	141,343
Computers	123,769
Software	20,619
	<hr/>
	4,366,978
Less: accumulated depreciation	(2,109,572)
	<hr/>
Net property and equipment	<u>\$ 2,257,406</u>

## Human Services Council Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2023

### 4. Mortgages Payable

40 South Main (LLC) Loan A for \$1,000,000 with an interest rate of 4.50% fixed for the first ten years, resetting to the then current Federal Home Loan Bank of Boston's 10 year Classic Advance Rate plus 200 basis points, resetting every five years with a floor of 4.50% and ceiling of 5.50%. Monthly payments are \$5,107, beginning in April 2018 and ending in March 2048. The note 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 5 years on the mortgage, through 2023.

\$ 907,527

40 South Main (LLC) Loan B for \$300,000 with an interest rate of 3.00% fixed for the first ten years, resetting to the then current Federal Home Loan Bank of Boston's 10 Year Classic Advance Rate plus 200 basis points, resetting every five years with a floor of 4.50% and a ceiling of 5.50%. Monthly payments ar \$1,272, beginning in April 2018 and ending in March 2048. The note is secured by a first and second mortgage lien on the property and related furniture and fixtures. There is also prepayment penalty for the first 5 years on the mortgage through 2023.

263,270

One Park Street Mortgage (HSC) with First Country Bank for \$1,330,000 with a fixed interest rate of 4.06%. Monthly payments consist of interest and principal totaling \$7,222, which will mature on April 1, 2041. 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 5 years of the mortgage. On June 18, 2021, First Country Bank approved deferred payments of principal and interest totaling \$64,988 due at maturity. The deferred interest amount has been added to the mortgage balance.

1,041,840

Mortgages payable before debt issuance cost

2,212,637

Less: debt issuance costs

(29,858)

Mortgage payable, net

\$ 2,182,779

## Human Services Council Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2023

### 4. Mortgages Payable (*continued*)

The future minimum debt payments are as follows for the years ending June 30,:

2024	\$	73,230
2025		76,596
2026		80,119
2027		83,805
2028		87,663
Thereafter		<u>1,811,224</u>
	\$	<u><u>2,212,637</u></u>

### 5. Notes Payable, Related Party

The Organization has a \$40,000 note payable due to a Board Member. This note payable bears no interest and has no set repayment schedule.

### 6. Line of Credit

The Organization maintains a commercial revolving line of credit with First County Bank with a limit of \$200,000. Interest on the line of credit accrues at the prime rate plus 1.00 percentage point, which was 5.75% for June 30, 2023. There was no outstanding balance on the line of credit as of June 30, 2023. The line of credit renews annually in March.

### 7. Net Assets With Donor Restrictions

Time and purpose:

Building improvements	\$	188,509
Held in perpetuity		
Endowment		<u>17,550</u>
Total Net Assets With Donor Restrictions	\$	<u><u>206,059</u></u>

Net assets released from donor restrictions for building improvements was \$13,648 for the year ended June 30, 2023.



## Human Services Council Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023

### 8. Liquidity and Availability of Resources

The following represents the Organization's financial assets available to meet general expenditures for the next twelve months at June 30:

Financial assets at year end:	
Cash and cash equivalents	\$ 867,148
Accounts receivable	44,235
Grants receivable	<u>78,500</u>
Total Financial Assets	989,883
Less net assets with donor restrictions -	
Funds restricted by donor with time or purpose restrictions	188,509
Endowment funds held in perpetuity	<u>17,550</u>
Financial assets to meet general expenditures over the next twelve months	<u>\$ 783,824</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of \$200,000, which it could draw upon.

### 9. One Park Street Occupant Rent

The Organization leases a portion of its facility at One Park Street in Norwalk, Connecticut. The Organization is a welcome center, in partnership with the Norwalk Board of Education, that provides support services for all students enrolled in the Norwalk public school system. The Norwalk Board of Education has a lease from the Organization effective December 1, 2021 with a term of one year. The lease renews automatically for a one year term, each successive year until cancelled by either party. Total occupant rent for the year ended June 30, 2023 was \$258,932.

### 10. 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 sponsored a tax deferred annuity plan, which the employees contributed to on a pre-tax basis. The tax deferred annuity plan was terminated effective January 1, 2022. The Organization did not make any matching contributions to the tax deferred annuity plan. Total retirement expense for the years ended June 30, 2023 was \$36,474.

## Human Services Council Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2023

### 11. Endowment

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.

The Organization is subject to the Connecticut Uniform Prudent Management of Institutional Funds Act (CTUPMIFA) 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 net assets with donor restrictions (a time restriction in perpetuity) the original value of gifts donated to the donor restricted endowment, the original value of subsequent gifts to the donor restricted endowment, and accumulations to the 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 restricted in perpetuity is classified as net assets with donor restrictions due to time and purpose restrictions. Once the time and purpose restrictions are satisfied, those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with CTUPMIFA, 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

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 endowment funds restricted in perpetuity 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.

## Human Services Council Inc. and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2023

### 11. Endowment (*continued*)

Changes in endowment net assets for the year ended June 30:

	Time and Purpose	Held in Perpetuity	Total
Endowment, July 1, 2022	\$ -	\$ 17,550	\$ 17,550
Interest and dividends, net of fees	3	-	3
Appropriations for expenditures	(3)	-	(3)
Endowment, June 30, 2023	<u>\$ -</u>	<u>\$ 17,550</u>	<u>\$ 17,550</u>

### 12. Contingency - Forty South Main Norwalk, LLC

The LLC 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.

### 13. Employee Retention Credit

During 2023, the Organization qualified for the Employee Retention Credit (“ERC”), which is both a nonrefundable and a refundable payroll tax credit for employers who had operations fully or partially suspended due to orders from a governmental authority or whose revenues decreased by a specified threshold. When eligible, an entity can claim a refund in excess of the payroll taxes paid based upon the amount of qualified wages and health insurance paid. Because the amount of the credit is in excess of the payroll taxes paid, the ERC is considered a conditional government grant. Accordingly, the Organization has elected to follow the guidance of ASC 958-605 in which conditional government grants are recognized in income as conditions are met. For a period of five years from the date of application for the ERC, the Organization could be subject to review and adjustment at a later date by the federal government. Although management believes they have complied with the provisions of the ERC program, there can be no guarantee that the federal government will not reduce the ERC recognized in a future period.

\*\*\*\*

**Human Services Council, Inc. and  
Subsidiary**

Supplementary Information

June 30, 2023

## Human Services Council, Inc. and Subsidiary

### Consolidating Statement of Financial Position

	Human Services Council, Inc.	40 South Main Norwalk, LLC	Eliminations	Consolidated Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 780,847	\$ 86,301	\$ -	\$ 867,148
Accounts receivable	44,235	-	-	44,235
Grants receivable	78,500	-	-	78,500
Tenant security deposits	-	20,849	-	20,849
Intercompany receivable (payable)	(14,829)	14,829	-	-
Property and equipment, net	1,141,243	1,116,163	-	2,257,406
Total Assets	\$ 2,029,996	\$ 1,238,142	\$ -	\$ 3,268,138
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Accounts payable and accrued expenses	\$ 181,748	\$ 26,886	\$ -	\$ 208,634
Security deposits	14,555	20,928	-	35,483
Note payable - related party	40,000	-	-	40,000
Mortgages payable, net	1,035,374	1,147,405	-	2,182,779
Total Liabilities	1,271,677	1,195,219	-	2,466,896
Net Assets				
Without donor restrictions	552,260	42,923	-	595,183
With donor restrictions	206,059	-	-	206,059
Total Net Assets	758,319	42,923	-	801,242
Total Liabilities and Net Assets	\$ 2,029,996	\$ 1,238,142	\$ -	\$ 3,268,138

See Independent Auditors' Report

## Human Services Council, Inc. and Subsidiary

### Consolidating Statement of Activities

	Human Services Council, Inc.	40 South Main Norwalk, LLC	Eliminations	Consolidated Totals
<b>PUBLIC SUPPORT AND REVENUE</b>				
Government grants	747,765	\$ -	\$ -	\$ 747,765
Contributions	162,760	-	-	162,760
Rental Income	-	409,892	-	409,892
Special events	81,400	-	-	81,400
One Park Street occupant rent	258,932	-	-	258,932
Program and other revenue	441,606	-	(102,692)	338,914
Interest	136	16	-	152
 Total Public Support and Revenue	 1,692,599	 409,908	 (102,692)	 1,999,815
<b>EXPENSES</b>				
Program	1,504,208	399,648	(102,692)	1,801,164
Management and general	295,228	-	-	295,228
Fundraising	51,179	-	-	51,179
 Total Expenses	 1,850,615	 399,648	 (102,692)	 2,147,571
 Change in Net Assets Before Other Changes	 (158,016)	 10,260	 -	 (147,756)
<b>OTHER CHANGES</b>				
Depreciation	(96,689)	(54,792)	-	(151,481)
Employee retention credit	467,459	-	-	467,459
 Total other changes	 370,770	 (54,792)	 -	 315,978
 Change in net assets	 212,754	 (44,532)	 -	 168,222
<b>NET ASSETS</b>				
Beginning of year	545,565	87,455	-	633,020
 End of year	 \$ 758,319	 \$ 42,923	 \$ -	 \$ 801,242

See Independent Auditors' Report

## Human Services Council, Inc. and Subsidiary

### Consolidating Statement of Cash Flows

	Human Services Council, Inc.	40 South Main Norwalk, LLC	Consolidated Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Change in net assets	\$ 212,754	\$ (44,532)	\$ 168,222
Adjustments to reconcile change in net assets to net change in cash from operating activities:			
Depreciation	96,689	54,792	151,481
Imputed interest	559	945	1,504
Change in operating assets and liabilities			
Grants and accounts receivable	79,567	(14,829)	64,738
Security deposits		(791)	(791)
Accounts payable and accrued expenses	<u>124,948</u>	<u>30,294</u>	<u>155,242</u>
Net Cash From Operating Activities	<u>514,517</u>	<u>25,879</u>	<u>540,396</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment	<u>(24,133)</u>	<u>(850)</u>	<u>(24,983)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal payments on mortgage payable	<u>(51,291)</u>	<u>(27,763)</u>	<u>(79,054)</u>
Net change in cash and restricted cash	439,093	(2,734)	436,359
Cash and restricted cash at beginning of year	<u>341,754</u>	<u>109,884</u>	<u>451,638</u>
Cash and restricted cash end of year	<u>\$ 780,847</u>	<u>\$ 107,150</u>	<u>\$ 887,997</u>
<b>Supplemental information</b>			
Cash paid for interest	<u>\$ 42,464</u>	<u>\$ 46,790</u>	<u>\$ 89,254</u>
<b>Cash and restricted cash</b>			
Cash and cash equivalents	\$ 780,847	\$ 86,301	\$ 867,148
Restricted cash: Tenant security deposits	<u>-</u>	<u>20,849</u>	<u>20,849</u>
Total cash and restricted cash shown above	<u>\$ 780,847</u>	<u>\$ 107,150</u>	<u>\$ 887,997</u>

See Independent Auditors' Report

**Human Services Council, Inc. and Subsidiary**

State Single Audit Reports and Schedules

June 30, 2023



## Human Services Council, Inc. and Subsidiary

### Schedule of Expenditures of State Financial Assistance Year Ended June 30, 2023

<u>State Grantor / Pass-through Grantor / Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total State Expenditures</u>
<b>Department of Public Health</b>			
School Based Health Clinics	11000-DPH48500-17019	\$ -	\$ 264,769
<b>Department of Children and Families</b>			
Treatment & Prevention of Child Abuse	11000-DCF91100-16064	-	68,305
Total State Financial Assistance		<u>\$ -</u>	<u>\$ 333,074</u>

See independent auditors' report and notes to schedule of expenditures of state financial assistance.

## **Human Services Council, Inc. and Subsidiary**

Notes to Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2023

### **1. Basis of Presentation**

The accompanying Schedule of Expenditures of State Financial Assistance (the "Schedule") includes the state grant activity of Human Services Council, Inc. and Subsidiary (the "Organization") under programs of the State of Connecticut for the year ended June 30, 2023. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended, and does not present the consolidated financial position, changes in net assets, or cash flows of the Organization.

### **2. Summary of Significant Accounting Policies**

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit agencies.

The information in the Schedule is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

The expenditures reported on the Schedule are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

\*\*\*\*\*



**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed In Accordance  
With Government Auditing Standards**

**Independent Auditors' Report**

**Board of Directors  
Human Services Council, Inc. and Subsidiary**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Human Services Council, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 28, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

Shelton, Connecticut  
December 28, 2023



**Report on Compliance for Each Major State Program and  
Report on Internal Control Over Compliance  
Required by the State Single Audit Act**

**Independent Auditors' Report**

**Board of Directors  
Human Services Council, Inc. and Subsidiary**

**Report on Compliance for Each Major State Program**

***Opinion on Each Major State Program***

We have audited Human Services Council, Inc. and Subsidiary (“the Organization”) compliance with the types of compliance requirements described in the Office of Policy and Management’s *Compliance Supplement* that could have a direct and material effect on each of the Organization’s major state programs for the year ended June 30, 2023. The Organization’s major state programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors’ Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major state program. Our audit does not provide a legal determination of the Organization’s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization’s state programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the State Single Audit Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Single Audit Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

Shelton, Connecticut  
December 28, 2023

## Human Services Council, Inc. and Subsidiary

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2023

### I. Summary of Auditors' Results

#### **Consolidated financial statements**

Type of auditors' opinion issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?      Yes   X   No
- Significant deficiency(ies) identified?      Yes   X   None reported

Noncompliance material to financial statements noted?

     Yes   X   No

#### **State Financial Assistance**

Internal control over major state programs:

- Material weakness(es) identified?      Yes   X   No
- Significant deficiency(ies) identified?      Yes   X   None reported

Type of auditors' opinion issued on compliance for major state programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 4-236-24 of the regulations to the State Single Audit Act?

     Yes   X   No

The following schedule reflects the major state programs included in the audit:

State Grantor and Program	Number	Expenditures
School Based Health Clinics	11000-DPH48500-17019	\$ 264,769

Dollar threshold used to distinguished between type A and type B programs: \$100,000

### II. Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2023.

### III. State Financial Assistance Findings and Questioned Costs

No findings or questioned costs were reported relating to State Financial Assistance Programs.