

CONNECTIONS FOR THE HOMELESS, INC.

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2022 AND 2021**

TOGETHER WITH AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Connections for the Homeless, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Connections for the Homeless, Inc. (the Organization) (a non-profit Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and cash flows for the year then ended, in conformity 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 and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 judgement 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Connections for the Homeless Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Connections for the Homeless Inc's ability to continue as a going concern for a reasonable period of time.

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

Independent Auditor's Report
To the Board of Directors of
Connections for the Homeless, Inc.
Page two

Supplementary Information

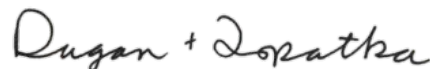
Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 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 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 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.



DUGAN & LOPATKA

Warrenville, Illinois
March 29, 2023

CONNECTIONS FOR THE HOMELESS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

A S S E T S

	2022	2021
CURRENT ASSETS:		
Cash and cash equivalents - Operations	\$ 26,701	\$ 308,997
- HUD replacement reserve	51,825	51,816
- Held for others	4,940	2,957
	83,466	363,770
Receivables - Government	3,281,128	1,808,824
- Pledges, current maturities	224,024	110,000
- Clients and others	19,073	9,154
Prepaid expenses	146,668	16,670
	3,754,359	2,308,418
PROPERTY AND EQUIPMENT:		
Land	71,155	71,155
Buildings	687,052	687,052
Leasehold improvements	189,830	183,732
Furniture and fixtures	2,614	2,614
Office equipment	229,836	229,836
Construction in progress	254,176	-
Vehicles	79,712	79,712
	1,514,375	1,254,101
Total property and equipment	1,514,375	1,254,101
Less - Accumulated depreciation	(659,856)	(615,940)
Net property and equipment	854,519	638,161
OTHER ASSETS:		
Receivable - pledges, net of current maturities	-	45,000
Deposits	90,278	84,848
	90,278	129,848
Total other assets	90,278	129,848
	\$ 4,699,156	\$ 3,076,427

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES:		
Line of credit	\$ 1,800,000	\$ -
Accounts payable and accrued expenses	451,253	144,839
Accrued payroll and related expenses	224,712	213,727
Agency funds	4,940	2,957
Client security deposits	-	7,308
Refundable advance	39,781	32,612
	<u>2,520,686</u>	<u>401,443</u>
Total current liabilities		

COMMITMENTS

NET ASSETS:		
Without donor restrictions	1,376,288	1,914,189
With donor restrictions	802,182	760,795
	<u>2,178,470</u>	<u>2,674,984</u>
Total net assets		

	<u>\$ 4,699,156</u>	<u>\$ 3,076,427</u>
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CONNECTIONS FOR THE HOMELESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(with comparative totals for 2021)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2022</u> <u>Total</u>	<u>2021</u> <u>Total</u>
PUBLIC SUPPORT AND REVENUE:				
Contributions	\$ 3,284,761	\$ 426,475	\$ 3,711,236	\$ 3,216,492
Emergency Food and Shelter National Board Program	25,613	-	25,613	44,234
U.S. Department of Housing and Urban Development	1,360,282	-	1,360,282	1,114,384
Department of Health and Human Services	151,199	-	151,199	171,893
Illinois Department of Human Services	4,192,501	-	4,192,501	1,878,008
City of Evanston	1,115,872	-	1,115,872	1,036,455
Northfield Township	7,279	-	7,279	2,221
City of Skokie	153,145	-	153,145	168,219
City of Des Plaines	8,865	-	8,865	3,136
Cook County Department of Planning and Development	2,992,817	-	2,992,817	5,039,538
United Way	42,556	-	42,556	31,716
YWCA	210,320	-	210,320	98,043
Client rental payments	72,782	-	72,782	76,117
Loan forgiveness	-	-	-	482,892
Special events, net expenses of \$42,914 for 2021	-	-	-	453,260
Other income (loss)	8,012	-	8,012	(29,296)
	<u>13,626,004</u>	<u>426,475</u>	<u>14,052,479</u>	<u>13,787,312</u>
RECLASSIFICATIONS:				
Net assets released upon satisfaction of purpose restrictions	<u>385,088</u>	<u>(385,088)</u>	<u>-</u>	<u>-</u>
FUNCTIONAL EXPENSES:				
Program services	11,783,418	-	11,783,418	10,655,154
Management and general	1,884,633	-	1,884,633	1,233,683
Fundraising	880,942	-	880,942	723,915
	<u>14,548,993</u>	<u>-</u>	<u>14,548,993</u>	<u>12,612,752</u>
CHANGE IN NET ASSETS	(537,901)	41,387	(496,514)	1,174,560
NET ASSETS, Beginning of year	<u>1,914,189</u>	<u>760,795</u>	<u>2,674,984</u>	<u>1,500,424</u>
NET ASSETS, End of year	<u>\$ 1,376,288</u>	<u>\$ 802,182</u>	<u>\$ 2,178,470</u>	<u>\$ 2,674,984</u>

The accompanying notes are an integral part of this statement.

CONNECTIONS FOR THE HOMELESS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in total net assets	\$ (496,514)	\$ 1,174,560
Adjustments to reconcile change in total net assets to net cash (used in) operating activities:		
Depreciation and amortization	43,916	41,700
Loss on disposal of fixed assets	-	32,690
Loan forgiveness	-	(482,892)
(Increase) in receivables	(1,551,247)	(1,485,158)
(Increase) in prepaid expenses	(129,998)	(3,508)
(Increase) decrease in deposits	(5,430)	3,985
Increase (decrease) in accounts payable	306,414	(172,186)
Increase in accrued payroll and related expenses	10,985	18,646
Increase (decrease) in agency funds	1,983	(380)
(Decrease) in client security deposits	(7,308)	-
Increase in refundable advance	7,169	16,324
	<u>(1,820,030)</u>	<u>(856,219)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(260,274)</u>	<u>(762)</u>
	<u>(260,274)</u>	<u>(762)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	-	(21,688)
Draws on line of credit	<u>1,800,000</u>	<u>-</u>
	<u>1,800,000</u>	<u>(21,688)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(280,304)	(878,669)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>363,770</u>	<u>1,242,439</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 83,466</u></u>	<u><u>\$ 363,770</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	<u><u>\$ 10,348</u></u>	<u><u>\$ 3,989</u></u>

The accompanying notes are an integral part of this statement.

CONNECTIONS FOR THE HOMELESS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(with comparative totals for 2021)

	Program Services			Supporting Services			2022 Total	2021 Total
	Eviction Prevention Services	Community and Shelter Services	Housing Services	Total Program Services	Management and General	Fundraising		
FUNCTIONAL EXPENSES:								
Personnel	\$ 355,416	\$ 1,731,793	\$ 1,461,262	\$ 3,548,471	\$ 1,238,801	\$ 658,919	\$ 5,446,191	\$ 4,426,547
Staff recruitment, training and development	219	4,220	4,752	9,191	23,765	2,065	35,021	25,213
Occupancy	10,235	170,770	134,050	315,055	34,054	45,146	394,255	328,061
Vehicles	477	6,215	8,549	15,241	3,975	1,184	20,400	26,106
Direct assistance to individuals	3,350,401	1,750,938	2,254,333	7,355,672	-	-	7,355,672	6,973,899
Professional and contractual services	213,853	46,342	60,965	321,160	416,841	100,349	838,350	474,780
Equipment and supplies	4,923	44,990	10,853	60,766	35,868	29,239	125,873	126,317
Office management	58,196	15,520	15,326	89,042	52,360	38,644	180,046	125,668
Insurance	2,047	14,678	9,249	25,974	19,013	4,826	49,813	45,709
Interest	-	-	-	-	10,348	-	10,348	3,989
Special events	-	-	-	-	-	-	-	42,914
Depreciation and amortization	171	4,273	34,659	39,103	4,243	570	43,916	41,700
Miscellaneous	-	-	3,743	3,743	45,365	-	49,108	14,763
Total functional expenses	3,995,938	3,789,739	3,997,741	11,783,418	1,884,633	880,942	14,548,993	12,655,666
Less expenses included with revenue on statement of activities								
Special events	-	-	-	-	-	-	-	(42,914)
Total expenses included in the expense section of the statement of activities	\$ 3,995,938	\$ 3,789,739	\$ 3,997,741	\$ 11,783,418	\$ 1,884,633	\$ 880,942	\$ 14,548,993	\$ 12,612,752

The accompanying notes are an integral part of this statement.

CONNECTIONS FOR THE HOMELESS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Connections for the Homeless, Inc. (the Organization) is a not-for-profit Illinois corporation exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization was formed in 1984 to work with communities in northern Cook County to prevent and eliminate homelessness. The Organization provides housing, shelter and supportive services including food, clothing, health and mental health care, employment, and education. The Organization also does community outreach and education about homelessness and provides volunteer opportunities for those concerned about homelessness. The Organization's programs are as follows:

Eviction Prevention Services - Deployed when individuals and families face an immediate threat of homelessness or have recently become homeless. Typical financial aid such as payments for rent and utilities in arrears, security deposit, and move-in fees are provided, along with short-term case management to assist clients in budgeting and other planning to ensure they are able to maintain their housing.

Community and Shelter Services - Street and community outreach, drop-in services, physical and behavioral health services, and shelter for people experiencing homelessness are provided through Community and Shelter Services. Along with case management, individuals are assessed for various housing programs and are provided with basic needs such as food, hygiene products, showers, clothing, and laundry facilities. 80-beds of shelter are available for individuals and families in a safe and healing environment. Health staff work with participants to address physical and behavioral health issues and improve long-term health.

Housing Services - The Agency runs several housing programs for youth, individuals, and families. Support includes short-and long-term housing subsidies coupled with comprehensive case management services to help people stabilize and maintain housing. Most housing is scattered site throughout north suburban Cook County and leased from private landlords.

The financial statements were available to be issued on March 29, 2023 with subsequent events being evaluated through this date.

Accounting Method -

The financial statements are maintained on the accrual basis of accounting which recognizes revenue as it is earned and expenses as they are incurred.

Basis of Presentation -

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC), *Financial Statements for Not-for-Profit Organizations*. Under the ASC, the Organization is required to report information regarding two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Basis of Presentation - (Continued)

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the board of directors.

With donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates -

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

Functional Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, utilities, and maintenance expense which are allocated by square foot, salaries, payroll taxes, and benefits on the basis of time and effort, as well as supplies, printing, insurance, and other expenses allocated by headcount.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Organization considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Concentration of Risk -

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash and deposits with high credit quality financial institutions; however, deposits may exceed the federally insured limits in various banks from time to time.

Government and Other Receivables -

Receivables represent grants due to the Organization from governmental agencies or from clients. The Organization has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Pledge Receivables -

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the contributions are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All contributions receivables are considered fully collectible based on past experience and management's judgment; therefore, no allowance for doubtful contribution accounts receivable is needed.

Property and Equipment -

Expenditures for property and equipment are capitalized at cost or at fair market value if donated. The Organization capitalizes all capital expenditures of \$2,500 or more, unless it is paid by State funds, then it is \$500 or more. Depreciation is computed on the straight-line method over estimated useful lives of the assets as follows:

Buildings	27.5 years
Leasehold improvements	5 - 27 years
Furniture and fixtures	3 - 10 years
Office equipment	2 - 10 years
Vehicles	4 - 5 years

Refundable Advance -

Refundable advance refers to payments from a grantor where a measurable barrier to recognition of revenue has not yet been met in a nonexchange transaction. These deposits are recorded as a liability until the barrier to grant has been met.

Donated Property and Equipment -

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Revenue Recognition for Contributions and Grants -

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give; that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions resulting from split-interest agreements, measured at the time into which the agreements are entered, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. 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 to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same period as received are shown as contributions without donor restrictions on the statement of activities.

A portion of the Organization's revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Revenue Recognition for Program Fees -

The Organization receives rental income from clients who reside in certain residential programs. Rental income is considered a single performance obligation that is recognized over time. Rental income is charged each month, and the monthly fees are recognized ratably over the life of the lease. The Organization leases apartments to eligible applicants under operating leases which are substantially all on a yearly basis.

Income Taxes -

The Organization has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

The Organization files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2019. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Donated Services -

The Organization has conformed with the Accounting Standards Codification for *Accounting for Contributions Received and Contributions Made* in regard to donated services. This provision prohibits the recording of donated services unless they create or enhance a nonfinancial asset or are specialized skills that would have been purchased if they were not donated. The Organization has not received any donated services valued during the fiscal year ended June 30, 2022, and 2021.

Comparative Financial Information -

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Recently Issued Accounting Pronouncement -

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which will require leases to be recorded as an asset on the statement of financial position for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is evaluating the impact the pronouncement may have on the financial statements.

(2) PLEDGES RECEIVABLE:

On June 30, 2022, and 2021, the timing of payments pledge receivable as determined by the underlying agreements are expected to be as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 224,024	\$ 110,000
Receivable in greater than one year and less than five years	<u>-</u>	<u>45,000</u>
Total pledge receivable	224,024	155,000
Less unamortized discounts	<u>-</u>	<u>-</u>
Net pledge receivable	<u>\$ 224,024</u>	<u>\$ 155,000</u>

(3) LINE OF CREDIT:

The Organization has a \$3,000,000 line of credit from a bank for periodic working capital requirements. The credit line is secured by all business assets. Amounts borrowed on the line of credit bear interest at prime (4.75% prime rate as of June 30, 2022). The credit agreement expires in December 2023. On June 30, 2022, and 2021, there were \$1,800,000 and \$-0- balances on the line of credits, respectively.

(4) NOTE PAYABLE:

As part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, in April 2020, the Organization obtained a Payroll Protection Program (PPP) loan in the amount of \$482,892. The loan bears interest at 1% with the amount to be repaid in equal installments beginning at the earlier of the date the SBA remits the loan forgiveness amount or 10 months after the end of the forgivable covered period with the final payment due April 2022. As part of the PPP loan agreement, a portion of the loan can be forgiven. In January 2021, the organization received notice from the Small Business Administration that the loan had been forgiven in full. The Organization has adopted ASC 470 to account for the PPP loan and has recorded a gain during the year ended June 30, 2021 for the full amount of the loan.

(5) COMMITMENTS:

Operating Leases -

The Organization has an operating lease for office and program space which expires in various dates up to July 2027. Under the lease agreement, the Organization is responsible for the incremental increase of real estate taxes and utilities.

Total rent expense for these leases for the years ended June 30, 2022, and 2021 was \$324,833 and \$271,961, respectively.

The future minimum rental commitments for operations are as follows:

2023	\$	135,271
2024		102,699
2025		105,249
2026		105,504
2027		108,419
2028		9,057

The Organization also leases various space on behalf of tenants. The leases expire at various dates through July, 2023. Rental assistance provided on these properties was \$813,300 and \$718,196 for the years ended June 30, 2022, and 2021, respectively. Future minimum rental commitments for rental assistance consist of \$135,444 for 2023 and \$850 for 2024.

(6) NET ASSETS WITH DONOR RESTRICTIONS:

On September 30, 2011, the Organization received two properties located in Skokie, Illinois from the Illinois Housing Development Authority. The fair value of the two properties totaled \$758,207. As part of the agreement, for a period of 15 years, the Organization will provide affordable rentals for the benefit of low-income persons which have less or equal to 50% of the area median income on these two properties.

Net assets with donor restrictions are comprised of the following:

	<u>2022</u>	<u>2021</u>
Program restricted funds -		
Prevention	\$ 25,000	\$ 2,588
Health, community, and shelter services	<u>18,975</u>	<u>-</u>
Total program restricted	43,975	2,588
Land and buildings	<u>758,207</u>	<u>758,207</u>
	<u>\$ 802,182</u>	<u>\$ 760,795</u>

(7) CONDITIONAL PROMISE TO GIVE:

The Organization has received the following future commitments from granting agencies as of June 30, 2022:

	<u>Term</u>	<u>Advanced or Grant Amount</u>	<u>Earned as of June 30, 2022</u>	<u>Funding Available</u>
HUD- YHDP	05/01/21-09/30/22	\$ 474,750	\$ 281,976	\$ 192,774
Alliance – Coordinated	11/01/21-10/31/22	48,500	27,418	21,082
Evanston – TBRA	06/01/22-12/31/24	200,000	2,787	197,213
Evanston – ESG	08/03/21-07/01/23	129,861	68,337	61,524
Evanston- CDBG	01/01/21-6/30/23	500,000	376,110	123,890
Cook County	06/01/22-5/31/23	151,393	12,943	138,450
Cook – ARPA	04/01/22-11/30/24	<u>1,875,000</u>	<u>552,788</u>	<u>1,322,212</u>
		<u>\$ 3,379,504</u>	<u>\$ 1,322,359</u>	<u>\$ 2,057,145</u>

(8) RETIREMENT PLAN:

The Organization has a 403(b)-retirement plan, which allows all employees to defer payment of taxes on a portion of their salary by making contributions to the plan through payroll deductions. The Organization makes contributions based on a percentage of participant’s eligible compensation. For the years ended June 30, 2022 and 2021, the Organization made contributions of \$80,117 and \$51,220 respectively.

(9) CONCENTRATIONS:

For the year ended June 30, 2022, the Organization had approximately 51% of its total support and revenue from funding from the Cook County Department of Planning and Development and Illinois Department of Human Services, of which approximately \$5 million is coming from the federal government COVID funding as pass through funds.

For the year ended June 30, 2021, the Organization had approximately 37% of its total support and revenue from a combination of funding from Cook County Department of Planning and Development, of which approximately \$5 million is coming from the federal government COVID funding as pass through funds.

(10) LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following:

	<u>2022</u>	<u>2021</u>
Financial Assets:		
Cash and cash equivalents	\$ 83,466	\$ 363,770
Receivables	<u>3,524,225</u>	<u>1,927,978</u>
Total financial Assets	<u>3,607,691</u>	<u>2,291,748</u>
Less:		
Donor imposed restrictions	43,975	2,588
Cash held for others	4,940	2,957
HUD replacement reserve	<u>51,825</u>	<u>51,816</u>
	<u>100,740</u>	<u>57,361</u>
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	<u>\$ 3,506,951</u>	<u>\$ 2,234,387</u>

The Organization has received commitments from grants (see footnote 7). The Organization grants require them to incur and pay for the expense and then request for payment. Majority of their grants are reimbursed within 90 days from request for payment.

The Organization manages its liquidity and reserves adhering to the following principles:

- operating within a prudent range of financial soundness and stability.
- incurring unbudgeted costs only when such costs are funded.
- maintaining adequate liquid assets to fund near-term operating needs.

INDEPENDENT AUDITOR'S 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*

To the Board of Directors of
Connections for the Homeless, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Connections for the Homeless, Inc. (the Organization) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, cash flow and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 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 may exist that have not been identified.

Independent Auditor's 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*

To the Board of Directors of
Connections for the Homeless, Inc.

Page two

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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 financial statement. 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


DUGAN & LOPATKA

Warrenville, Illinois
March 29, 2023

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE

To the Board of Directors of
Connections for the Homeless, Inc.:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Connections for the Homeless, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's 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 federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's 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 federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Independent Auditor's Report on Compliance for Each
Major Federal Program and on Internal Control Over
Compliance Required by Uniform Guidance
To the Board of Directors of
Connections for the Homeless, Inc.
Page two

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 federal programs.

Auditor's 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 Uniform Guidance 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 federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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 Uniform Guidance, 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.

Independent Auditor's Report on Compliance for Each
Major Federal Program and on Internal Control Over
Compliance Required by Uniform Guidance
To the Board of Directors of
Connections for the Homeless, Inc.
Page three

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 federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 federal 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 federal 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 Auditor's Responsibilities for the Audit of Compliance section 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 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 purposes 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


DUGAN & LOPATKA

Warrenville, Illinois
March 29, 2023

CONNECTIONS FOR THE HOMELESS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/ Program Title/Pass-Through Grantor	Assistance Listing Number	Pass- Through Number	Total Program Expenditures
Department of Housing and Urban Development:			
Continuum of Care Program	14.267		\$ 423,412
Continuum of Care Program	14.267		86,661
Continuum of Care Program	14.267		47,340
Continuum of Care Program	14.267		174,742
Continuum of Care Program	14.267		19,811
Continuum of Care Program	14.267		52,653
Continuum of Care Program	14.267		439,734
Continuum of Care Program	14.267		115,928
Continuum of Care Program Pass-Through Alliance to End Homelessness	14.267		10,940
Continuum of Care Program Pass-Through Alliance to End Homelessness	14.267		<u>27,418</u>
Total Continuum of Care			<u>1,398,639</u>
Emergency Solution Grants Program -			
City of Evanston Department of Health and Human Services	14.231		62,588
City of Evanston Department of Health and Human Services	14.231		67,873
City of Evanston Department of Health and Human Services-COVID	14.231		388,067
Cook County Department of Planning and Development	14.231		14,410
Cook County Department of Planning and Development	14.231		271,859
Cook County Department of Planning and Development- COVID	14.231		<u>441,818</u>
Total Emergency Solution Grants Program			<u>1,246,615</u>
Home Investment Partnership Program -			
City of Evanston	14.239		27,145
City of Evanston	14.239		147,464
City of Evanston	14.239		<u>2,787</u>
Total Home Investment Partnership Program			<u>177,396</u>

CONNECTIONS FOR THE HOMELESS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/ Program Title/Pass-Through Grantor	Assistance Listing Number	Pass- Through Number	Total Program Expenditures
Department of Housing and Urban Development: (Continued)			
Community Development Block Grant -			
Village of Skokie – COVID	14.218		153,145
City of Evanston	14.218		124,733
City of Evanston-COVID	14.218		214,511
City of Evanston-COVID	14.218		<u>54,956</u>
Total Community Development Block Grant			<u>547,345</u>
Total Department of Housing and Urban Development			<u>3,369,995</u>
Department of Health and Human Services:			
Transition Living for Homeless Youth	93.550		32,503
Transition Living for Homeless Youth	93.550		110,191
Transition Living for Homeless Youth-COVID	93.550		<u>8,504</u>
Total Department of Health and Human Services			<u>151,198</u>
Department of Homeland Security:			
Emergency Food and Shelter National Board Program - United Way of Metropolitan Chicago	97.024	Phase 37	<u>25,613</u>
Department of Treasury			
Coronavirus Relief Fund -Cook County Bureau of Economic Development - COVID	21.019		544,762
Coronavirus Relief Fund - Illinois Housing Development Authority - COVID	21.019		<u>47,008</u>
Total Coronavirus Relief Fund			<u>591,770*</u>

CONNECTIONS FOR THE HOMELESS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/ Program Title/Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Pass- Through Number</u>	<u>Total Program Expenditures</u>
Department of Treasury Coronavirus Relief Fund: (Continued)			
Emergency Rental Assistance			
Illinois Housing Development Authority - COVID	21.023		9,756
Illinois Department of Human Services - COVID	21.023	2FCSAH05974	2,796,379
Cook County Bureau of Economic Development - COVID	21.023		<u>73,930</u>
Total Emergency Rental Assistance			<u>2,880,065*</u>
Coronavirus State and Local Fiscal Recovery Fund – ARPA			
Cook County Department of Planning and Development	21.027		1,002,765
Cook County Department of Planning and Development	21.027		552,788
Illinois Department of Human Services	21.027		<u>94,491</u>
Total Coronavirus State and Local Fiscal Recovery Fund – ARPA			<u>1,650,044*</u>
Total Department of Treasury Coronavirus Relief Fund			<u>4,530,109</u>
Department of Justice:			
Crime Victim Assistance Program: Passthrough YWCA Evanston/North Shore	16.575	2018-V2-GX-0070	16,058
Crime Victim Assistance Program: Passthrough YWCA Evanston/North Shore	16.575		<u>79,100</u>
Total Crime Victim Assistance Program			<u>95,158</u>
Transitional Housing Assistance for Victims of Domestic Violence, Stalking or Sexual Assault: Passthrough YWCA Evanston/North Shore	16.736	2020-WH-AX-0015	<u>115,162</u>
Total Department of Justice			<u>210,320</u>
Total expenditures of federal awards			<u>\$ 8,879,005</u>

*Major programs

CONNECTIONS FOR THE HOMELESS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Note A - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal award activity of Connections for the Homeless, Inc. (the Organization) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not represent the financial position, changes in net assets, or cash flows of the Organization.

Note B - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rates:

The Organization has elected not to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D - Non-Cash Awards:

The Organization did not have any outstanding federal loans or loan guarantees or insurance at June 30, 2022 and did not receive any federal non-cash awards during the year ended June 30, 2022. The Organization do not have any sub-recipients for the year ended June 30, 2022.

CONNECTIONS FOR THE HOMELESS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

PART 1: SUMMARY OF AUDIT RESULTS -

1. The auditor's report expresses an unmodified opinion on the financial statements of Connections for the Homeless, Inc.
2. There were no material weaknesses disclosed during the audit of the financial statements. No significant deficiencies related to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of Connections for the Homeless, Inc. were disclosed during the audit.
4. There were no significant deficiencies in internal control over compliance disclosed during the audit of the major federal award programs. There were no material weaknesses disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Connections for the Homeless, Inc. expresses an unmodified opinion on all major federal programs.
6. There are no audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a).
7. The programs tested as major programs included:

Coronavirus Relief Fund	21.019
Emergency Rental Assistance	21.023
Coronavirus State and Local Fiscal Recovery Fund – ARPA	21.027
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Connections for the Homeless, Inc. was determined to be a low-risk auditee.

PART 2: FINDINGS - FINANCIAL STATEMENTS AUDIT (GAGAS) -

There were no audit findings or questioned costs.

PART 3: AUDIT FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT -

There were no audit findings or questioned costs.