

HOPE PARTNERSHIP, INC.
(A Nonprofit Organization)

CONSOLIDATED FINANCIAL STATEMENTS
WITH
INDEPENDENT ACCOUNTANT'S REVIEW REPORT

For The Year Ended June 30, 2024



WollackLewitz_{LLC}

Certified Public Accountants & Advisors

Old Saybrook | Madison
Connecticut

HOPE PARTNERSHIP, INC.

(A Nonprofit Organization)

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Joseph J. Wollack, CPA
Brendan E. Redfield, CPA
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
HOPE Partnership, Inc.
Madison, Connecticut

We have reviewed the accompanying consolidated financial statements of HOPE Partnership, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of HOPE Partnership, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

WallackLemitz
Certified Public Accountants
Old Saybrook, Connecticut

March 10, 2025

HOPE PARTNERSHIP, INC.

(A Nonprofit Organization)

Consolidated Statement Of Financial Position

June 30, 2024

ASSETS

Current Assets

Cash And Cash Equivalents	\$	558,980	
Prepaid Expenses		12,349	
Accounts Receivable		<u>12,324</u>	
<u>Total Current Assets</u>			\$ 583,653

Property & Furnishings - Net Book Value

7,980,681

Other Assets

Land		<u>60,000</u>	
<u>Total Other Assets</u>			<u>60,000</u>

TOTAL ASSETS

\$ 8,624,334

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable & Accrued Expenses	\$	42,778	
Current Portion of Long-Term Debt		<u>69,326</u>	
<u>Total Current Liabilities</u>			\$ 112,104

Other Liabilities

Mortgages Payable, Net Of Unamortized			
Debt Issuance Costs		<u>1,219,723</u>	
<u>Total Liabilities</u>			<u>1,331,827</u>

Net Assets

Net Assets Without Donor Restrictions		(692,583)	
Net Assets With Donor Restrictions		<u>7,985,090</u>	

Total Net Assets

7,292,507

TOTAL LIABILITIES AND NET ASSETS

\$ 8,624,334

See Accompanying Notes And Independent Accountant's Review Report

HOPE PARTNERSHIP, INC.

(A Nonprofit Organization)

Consolidated Statement Of Activities

For The Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Operating Activities</u>			
<u>Revenue And Support</u>			
Contributions	\$ 210,986	\$ -	\$ 210,986
Municipal Support	5,824	-	5,824
Rental Income	465,896	-	465,896
Special Events - Net Of Direct Costs	(4,290)	-	(4,290)
Net Investment Income	1,667	-	1,667
Other Income	1,192	-	1,192
Developer Fee Income	56,234	-	56,234
Net Assets Released From Restrictions	262,907	(262,907)	-
<u>Total Revenues And Other Support</u>	1,000,416	(262,907)	737,509
<u>Expenses</u>			
Program Services	651,816	-	651,816
Management And General	94,936	-	94,936
Fundraising	7,263	-	7,263
<u>Total Expenses</u>	754,015	-	754,015
<u>Increase (Decrease) In Net Assets</u>	246,401	(262,907)	(16,506)
<u>Net Assets At Beginning Of Year</u>	(938,984)	8,247,997	7,309,013
<u>Net Assets At End Of Year</u>	<u>\$ (692,583)</u>	<u>\$ 7,985,090</u>	<u>\$ 7,292,507</u>

See Accompanying Notes And Independent Accountant's Review Report

HOPE PARTNERSHIP, INC.**(A Nonprofit Organization)****Consolidated Statement Of Functional Expenses****For The Year Ended June 30, 2024**

	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries & Wages	\$ 104,574	\$ 11,233	\$ 3,744	\$ 119,551
Payroll Taxes & Benefits	9,968	762	254	10,984
Professional Fees	26,058	65,741	-	91,799
Office Supplies & Expenses	302	1,061	1,779	3,142
Office Rent	-	1,626	-	1,626
Telephone & Utilities	15,356	2,376	-	17,732
Insurance	22,139	4,122	-	26,261
Interest Expense	61,278	-	-	61,278
Depreciation & Amortization	248,191	-	-	248,191
Dues & Subscriptions	-	8,015	-	8,015
Repairs & Maintenance	59,893	-	-	59,893
Real Estate Taxes	26,873	-	-	26,873
Advertising	-	-	1,486	1,486
Property Management Fees	77,184	-	-	77,184
Total	<u>\$ 651,816</u>	<u>\$ 94,936</u>	<u>\$ 7,263</u>	<u>\$ 754,015</u>

See Accompanying Notes And Independent Accountant's Review Report

HOPE PARTNERSHIP, INC.

(A Nonprofit Organization)

Consolidated Statement Of Cash Flows

For The Year Ended June 30, 2024

Cash Flows From Operating Activities:

Increase (Decrease) In Net Assets \$ (16,506)

Adjustments To Reconcile To Net Cash Provided

By Operating Activities:

Depreciation \$ 248,191

Amortization 6,804

Change In Assets And Liabilities:

Prepaid Expenses 12,961

Unconditional Promises to Give 16,016

Accounts Receivable (9,882)

Investment in Cottage Road 9,780

Accounts Payable & Accrued Expenses (19,748)

Total Adjustments 264,122

Net Cash Provided (Used) By Operating Activities 247,616

Cash Flows From Financing Activities

Payment Of Long-Term Debt (63,198)

Net Cash Provided (Used) In Financing Activities (63,198)

Net Change In Cash And Cash Equivalents 184,418

Cash And Cash Equivalents:

Beginning Of Year 374,562

End Of Year \$ 558,980

Interest Paid \$ 54,474

See Accompanying Notes And Independent Accountant's Review Report

HOPE PARTNERSHIP, INC.
(A Nonprofit Organization)

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2024

1) Summary Of Significant Accounting Policies

Nature Of Operations – HOPE PARTNERSHIP, INC. (HOPE) was organized in 2003 as a non-stock corporation under the laws of the State of Connecticut and is dedicated to developing affordable housing options on the Connecticut shoreline and lower Middlesex County. HOPE relies on contributions and residential rental income to fund its operations.

Principles of Consolidation – On October 4, 2019, HOPE established The Lofts at Spencer's Corner, LLC, (Lofts) a wholly owned subsidiary, and developed a portion of the commercial property located in Centerbrook, Connecticut into 17 units for affordable housing. On April 4, 2022, HOPE exercised an option to acquire its partner's share in Ferry Crossing, LLC, a 16-unit affordable housing complex located in Old Saybrook, Connecticut, and became its sole member. These entities qualify as disregarded entities under Internal Revenue Service regulations, and accordingly, their financial activities are reported within the tax returns of HOPE. These financial statements present the consolidated financial information of these entities for the year ended June 30, 2024. Intercompany balances and transactions have been eliminated.

Basis Of Presentation – Financial statement presentation is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Under U.S. GAAP, management of HOPE is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor – (or certain grantor-) imposed restrictions. Donor-imposed restrictions are typically temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Grants and contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue Recognition

Rental Income – The Organization receives rental income as part of its program activities. Rates are established based on the area median income as prescribed by the project grants and are adjusted annually. Income is recognized monthly over the term of the leases.

HOPE PARTNERSHIP, INC.
(A Nonprofit Organization)

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2024

1) Summary Of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributions – The Organization receives contributions to support operating activities and capital projects. These contributions can be from individuals, foundations, corporations, or trusts. The Organization records contributions receivable, net of allowances for estimated uncollectible amounts, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional gifts with a measurable performance or other barrier and right of return are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor. As of June 30, 2024, no allowance for doubtful accounts has been created.

The Organization reports gifts of cash and other assets that are received with donor stipulations limiting the use of the donated assets, as support without donor restrictions if all such donor restrictions are met in the year the award is received. Gifts of cash and other assets that are received with donor stipulations limiting the use of donated assets are reported as net assets with donor restrictions if such donor stipulations are not fully met in the year the award is received. 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 statements of activities as net assets released from restrictions.

Many individuals, including present and past board members, have contributed significant amounts of time to the activities of HOPE without compensation. The consolidated financial statements do not reflect the value of those contributed services because, although clearly substantial, they do not meet the recognition criteria under generally accepted accounting principles since the services provided do not require specialized skills nor do they create or enhance a non-financial asset.

Government Grant And Contracts – The Organization receives grant and contract funding from the State of Connecticut, which may be considered exchange transactions or contributions. The funding received is to provide a variety of program services to the public based on certain performance requirements included in the agreement and the incurrence of allowable qualifying expenses and other requirements. Grant and contracts considered to be contributions are representative of nonreciprocal transactions and include conditions stipulated by the government agencies and are, therefore, accounted for as conditional contributions. Public support is recognized as revenue when conditions are satisfied, typically when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization recognizes grants and contracts considered to be exchange transactions once the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided. The revenue recognized would be reported at the moment reflecting the consideration the Organization expects to receive in exchange for the services provided. There were no conditional government grants or contracts recognized or unrecognized as of June 30, 2024.

HOPE PARTNERSHIP, INC.
(A Nonprofit Organization)

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2024

1) Summary Of Significant Accounting Policies (Continued)

Special Events – Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of the direct benefits to the donors when the special event takes place. The Organization recognizes the contribution element of special events revenue immediately, unless there is a right of return if the special event does not take place.

Because the Organization's performance obligations related to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *Revenue from Contracts with Customers*, and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

Income Taxes – The Internal Revenue Service has determined that HOPE Partnership, Inc. is exempt from Federal income tax on its exempt function income under Section 501(c)(3) of the Internal Revenue Code and is a charitable organization that is not a private foundation as described in Section 509(a) of the code.

The standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, HOPE may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of HOPE and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the fiscal year ended June 30, 2024.

HOPE's Forms 990, *Return of Organization Exempt from Income Tax*, are generally subject to examination by the IRS for 3 years after the date that they were filed.

Cash Flows – For purposes of the statement of cash flows, HOPE considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOPE PARTNERSHIP, INC.

(A Nonprofit Organization)

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2024

1) Summary Of Significant Accounting Policies (Continued)

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain expenses not identifiable with a particular functional area have been allocated based upon the estimated utilization of the particular program.

Property & Furnishings – Assets acquired that are deemed to be of a permanent and lasting nature are capitalized. Maintenance, repairs and minor additions are expensed as incurred. The cost of capitalized assets that have been retired or otherwise disposed of are removed from the capital account.

Depreciation – Depreciation is calculated on the straight-line basis over the estimated useful lives of the respective assets as follows:

Buildings	39 to 40 Years
Equipment And Furnishings	5 Years

2) Investment In Cottage Road Development Partners, LLC

HOPE holds a program investment of 40% of 0.01% interest in Cottage Road Development, LLC, which is an affordable housing complex in Madison, Connecticut. The majority of the project is owned by the Organization's tax credit investor. Once the tax credit period of 15 years is over, HOPE's ownership percentage will increase to 40%. Their investment is not reflected in the consolidated statements of the Organization. Under the terms of the LLC's operating agreement, HOPE is not required to contribute any capital to the partnership.

3) Land

HOPE acquired three parcels of land as part of its merger with Old Lyme Affordable Housing, Inc. in 2014. These parcels are being leased to low or moderate income parties under ground lease agreements for a period of 99 years. Each lessee pays a monthly land use fee of \$25 plus a \$15 administration fee. The total annual fee for the three parcels is \$1,440. The monthly amount may be adjusted at the lessor's discretion to an amount not to exceed 15% each year. Upon the expiration of the lease term, or sooner if terminated in accordance with the lease, the improvements to the property shall revert to HOPE subject to existing mortgages. The lease agreements contain other provisions, such as restrictions on transfer and requirements to maintain the property. The lessee's have the option to extend the principal term of the lease for an additional period of 99 years. This land is carried at its original cost of \$60,000.

HOPE PARTNERSHIP, INC.

(A Nonprofit Organization)

Notes To The Consolidated Financial Statements

For The Year Ended June 30, 2024

4) Net Assets With Donor Restrictions

Net assets with donor restrictions consists of the following:

Subject to the passage of time	\$	7,978,590
Subject to expenditure for specified purpose:		
For use in Westbrook		5,000
For use in Killingworth		1,500
Total	\$	<u>7,985,090</u>

5) Special Events

Net revenue from special events consists of the following:

Sponsorships, Contributions & Ticket Sales	\$	2,000
Direct Costs of Events		<u>6,290</u>
Special Events - Net of Direct Costs	\$	<u>(4,290)</u>

6) Property & Furnishings

Property & furnishings consist of the following at June 30, 2024:

Furniture & Fixtures	\$	27,885
Buildings		<u>9,729,810</u>
		9,757,695
Less: Accumulated Depreciation		<u>1,777,014</u>
Net Book Value	\$	<u>7,980,681</u>

Depreciation expense for the year ended June 30, 2024, was \$ 248,191.

7) Liquidity And Availability

Financial assets available for general expenditure, that is, without restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash & Cash Equivalents	\$	558,980
Accounts Receivable		<u>12,324</u>
		571,304
Less: Net Assets Restricted for Purpose		<u>6,500</u>
Financial Assets Available to Meet General Expenditure Over the Next Twelve Months	\$	<u>564,804</u>

HOPE PARTNERSHIP, INC.
(A Nonprofit Organization)

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2024

7) Liquidity And Availability (Continued)

Operating expenses are anticipated to be met by receipt of cash contributions, which is projected to be similar with the previous two years.

8) Mortgages Payable

Mortgages payables consist of the following at June 30, 2024:

Bank loan with Essex Savings Bank for a total amount of \$975,000 used for the Loft's project. Commencing June 1, 2021, the interest rate is 3.5%, payable in monthly installments of \$4,907, including principal and interest with a final maturity of 25 years. Loan is secured by a first position on real estate and the agreement includes a debt service coverage ratio and other requirements. \$ 896,316

Bank loan with Liberty Bank for a total amount of \$280,000 used for the purchase of the majority owner's share of Ferry Crossing, LLC. The interest rate was fixed at 4.00% for the first five years and is adjustable on the five-year anniversary date of the first payment. The interest rate will be equal to the Federal Home Loan Bank of Boston Five-Year Classic Advance rate plus a margin of 2.00 percentage rate. Commencing on June 1, 2022, the loan is payable by monthly principal and interest payments in the amount of \$1,706 for the first five years then will adjust so that the loan will be paid off in 20 years. Loan is secured by a leasehold mortgage and security agreement which includes Ferry Crossing, LLC's interest in 45 Ferry Road, Old Saybrook, Connecticut. 260,282

Mortgage note with Liberty Bank for a total amount of \$600,000, secured by the leasehold improvements at 45 Ferry Road, Old Saybrook, Connecticut. The note states that Ferry Crossing LLC is required to implement requirements applicable to assistance furnished for the benefit of the Development to the lender under the Affordable Housing Program of the FHLB. This loan was advanced by FHLB. The loan is payable in monthly installments of \$3,131, including principal and interest, with a maturity of 20 years. 275,750

Less: Unamortized Debt Issuance Costs 1,432,348

Total Mortgage Payable, Net Of Debt Issuance Costs 143,299

\$ 1,289,049

HOPE PARTNERSHIP, INC.
(A Nonprofit Organization)

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2024

8) Mortgages Payable (Continued)

Maturities of notes payable consists of the following:

Years Ended June 30,	Amount
2024	\$ 67,165
2025	69,326
2026	71,470
2027	73,684
2028	75,893
Thereafter	1,138,008
	<u>\$ 1,495,546</u>

9) Net Assets Released From Restrictions

Net assets released from net assets with donor restrictions was \$262,907 due to the passage of time.

10) Leases

HOPE entered into an office lease with an unrelated party that runs from January 1, 2024, through December 31, 2024. The monthly occupancy fee is \$125 per month. The minimum future occupancy payments are \$750. Rent expense for the year ended June 30, 2024, was \$1,400. This lease was extended to December 31, 2025. HOPE has elected not to report right of use assets and lease liabilities for short-term leases (leases with a term of 12 months or less).

11) Contingencies, Risks And Uncertainties

HOPE participates in a number of Federal and Connecticut state grant and loan programs, which are governed by various rules and regulations of the grantor agencies. To the extent that HOPE has not complied with the rules and regulations governing the grants and loans, refunds of any money received may be required. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying consolidated financial statements for such contingencies.

Funding was provided in the form of forgivable grants that were fully recognized as revenue in the year received. Such funding is subject to certain requirements and conditions, including rental restrictions, as set forth in the repayment agreements which require that the grantees agree to the placement of mortgage liens on the premises to ensure the intent of the grants are not violated.

HOPE PARTNERSHIP, INC.
(A Nonprofit Organization)

Notes To The Consolidated Financial Statements
For The Year Ended June 30, 2024

11) Contingencies, Risks And Uncertainties (Continued)

International unrest has impacted economic conditions of investment markets, supply chains, inflation, and overall governments around the world. Management is carefully monitoring these situations and evaluating its options during this time. No adjustments have been made to these financial statements as a result of these uncertainties.

12) Liens Restricting The Use Of Property

Hope Partnership, Inc. and its subsidiaries have received grants in the form of forgivable loans from the State of Connecticut Department of Housing, the National Housing Trust Funds, and the Department of Economic and Community Development. These loans have zero interest and will be fully forgiven at the end of the stated period so long as the housing projects they financed are used for their stated purpose of providing affordable housing. Liens have been placed against the respective properties to ensure compliance. Because the loans are expected to be forgiven, Hope Partnership, Inc. reported them as income and is categorizing the net book value of the respective properties as restricted net assets in the statement of financial position. The amount of the grants and the restriction periods are as follows:

State of Connecticut Department of Housing FLEX Loan	
Lien on 90 Main Street, Centerbrook to remain in place for 30 years beginning May 1, 2020	\$ 3,930,000
National Housing Trust Funds (NHTF) Program Assistance Agreement	
Lien on 90 Main Street, Centerbrook to remain in place for 30 years beginning May 1, 2020	300,000
Department of Economic and Community Development	
Lien on 45 Ferry Road, Old Sabyrook to remain in place for 20 years beginning May 11, 2011	<u>3,041,504</u>
Total	<u>\$ 7,271,504</u>

13) Subsequent Events

The Organization is in the process of negotiating the acquisition of additional properties. Subsequent to year-end, the Organization created Twine Commons 1, LLC, a new subsidiary, in order to perform due diligence for a potential new project.

Management has evaluated subsequent events through March 10, 2025, which is the date the financial statements were available to be issued.