

The Open Hearth Association and Subsidiary

**Consolidated Financial Statements
and Independent Auditor's Report**

December 31, 2022 and 2021

The Open Hearth Association and Subsidiary

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Independent Auditor's Report

To the Board of Directors
The Open Hearth Association

Report on Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Open Hearth Association and Subsidiary (nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Open Hearth Association and Subsidiary as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of The Open Hearth Association and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The consolidated financial statements of the Subsidiary were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Open Hearth Association and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated 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 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS 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 consolidated 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 Open Hearth Association and Subsidiary'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 Open Hearth Association and Subsidiary'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2023, on our consideration of The Open Hearth Association and Subsidiary'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 Open Hearth Association and Subsidiary'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 Open Hearth Association and Subsidiary's internal control over financial reporting and compliance.



Hartford, Connecticut
September 27, 2023

The Open Hearth Association and Subsidiary

**Consolidated Statements of Financial Position
December 31, 2022 and 2021**

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Current assets		
Cash	\$ 189,779	\$ 328,924
Custodial cash	96,704	69,502
Accounts receivable	83,765	1,380
Grants receivable	15,500	28,644
Prepaid expenses	34,752	29,547
	<u>420,500</u>	<u>457,997</u>
Property and equipment, net	<u>1,810,164</u>	<u>1,941,696</u>
Other assets		
Investments, endowment	<u>2,243,011</u>	<u>2,869,163</u>
Total	<u>\$ 4,473,675</u>	<u>\$ 5,268,856</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 41,739	\$ 67,022
Accrued expenses	198,727	182,529
Custodial liability	96,704	69,502
Refundable advance	24,420	1,667
	<u>361,590</u>	<u>320,720</u>
Net assets		
Without donor restrictions		
Board-designated endowment	2,397,497	2,884,568
Undesignated	<u>1,405,674</u>	<u>1,582,896</u>
Total without donor restrictions	3,803,171	4,467,464
With donor restrictions	<u>308,914</u>	<u>480,672</u>
Total net assets	<u>4,112,085</u>	<u>4,948,136</u>
Total	<u>\$ 4,473,675</u>	<u>\$ 5,268,856</u>

See Notes to Consolidated Financial Statements.

The Open Hearth Association and Subsidiary

Consolidated Statements of Activities Years Ended December 31, 2022 and 2021

	2022	2021
Changes in net assets without donor restrictions		
Revenue and support		
Governmental and other grants	\$ 1,726,350	\$ 1,401,960
Program fees	111,877	158,287
In-kind contributions	-	93,139
Contributions	501,511	388,595
Contributions - PPP loan	-	215,555
Wood sales and fees	-	1,891
Investment income	109,674	106,298
Open Hearth Works	230,199	43,402
Other income	16,980	-
Net assets released from restrictions	305,258	150,429
Total revenue and support	3,001,849	2,559,556
Operating expenses		
Shelter and transitional living	1,280,227	1,144,081
Wood yard	-	72,046
Shelter re-housing program	722,183	632,364
The Extended Program	37,331	31,532
Working Man's Center	80,792	78,560
Jobs Re-Entry Program	106,214	-
Open Hearth Works	256,968	62,408
Total program expenses	2,483,715	2,020,991
Fundraising	60,141	37,251
Management and general	415,702	420,301
In-kind expenses	-	93,139
Depreciation and amortization	210,429	221,090
Total expenses	3,169,987	2,792,772
Change in net assets without donor restrictions before other changes	(168,138)	(233,216)
Other changes in net assets without donor restrictions		
Unrealized/realized (loss) gain on investments	(496,155)	256,720
Change in net assets without donor restrictions	(664,293)	23,504
Changes in net assets with donor restrictions		
Contributions	165,380	152,408
Investment income	3,749	3,297
Unrealized/realized (loss) gain on investments	(35,629)	18,453
Net assets released from restrictions	(305,258)	(150,429)
Change in net assets with donor restrictions	(171,758)	23,729
Change in net assets	(836,051)	47,233
Net assets, beginning	4,948,136	4,900,903
Net assets, end	\$ 4,112,085	\$ 4,948,136

See Notes to Consolidated Financial Statements.

The Open Hearth Association and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended December 31, 2022

	Shelter and Transitional Living	DOH Shelter Re-Housing	The Extended Program	Working Man's Center	Jobs Re-Entry Program	Open Hearth Works	Total Program Expenses	Fundraising	Management and General	Total
Salaries and wages	\$ 633,161	\$ 536,862	\$ 7,936	\$ 58,889	\$ 84,604	\$ 193,422	\$ 1,514,874	\$ -	\$ 166,105	\$ 1,680,979
Employee benefits and pension	105,282	112,938	2,951	13,219	12,369	18,141	264,900	-	22,365	287,265
Employee related expenses	638	71	-	-	88	-	797	-	4,312	5,109
Program expenses	21,495	202	-	-	-	13,004	34,701	-	698	35,399
Client expenses	199,119	9,172	881	2,111	1,854	7,520	220,657	-	-	220,657
Professional fees	-	-	-	-	2,962	6,655	9,617	17,609	101,182	128,408
Bank fees and interest	-	-	-	-	-	-	-	-	18,408	18,408
Supplies	50,039	1,730	2,923	1,717	-	-	56,409	-	3,174	59,583
Telephone	-	-	-	-	65	519	584	-	31,307	31,891
Postage and office supplies	370	-	-	464	122	45	1,001	42	16,563	17,606
Insurance	78,509	22,717	8,472	1,395	-	-	111,093	-	2,388	113,481
Occupancy	103,198	30,257	11,088	1,844	-	-	146,387	-	2,451	148,838
Maintenance and repairs	67,808	8,234	3,080	741	-	782	80,645	-	32,058	112,703
Conference and conventions	1,405	-	-	-	4,150	-	5,555	-	6,010	11,565
Fundraising expenses	-	-	-	-	-	-	-	42,490	338	42,828
Printing and publications	-	-	-	-	-	-	-	-	1,462	1,462
Dues and subscriptions	50	-	-	-	-	-	50	-	705	755
Depreciation and amortization	147,191	41,185	15,084	2,655	-	-	206,115	-	4,314	210,429
Vehicle expense	19,153	-	-	412	-	-	19,565	-	6,176	25,741
Miscellaneous	-	-	-	-	-	16,880	16,880	-	-	16,880
Subtotal	1,427,418	763,368	52,415	83,447	106,214	256,968	2,689,830	60,141	420,016	3,169,987
Less depreciation and amortization	(147,191)	(41,185)	(15,084)	(2,655)	-	-	(206,115)	-	(4,314)	(210,429)
Total	<u>\$ 1,280,227</u>	<u>\$ 722,183</u>	<u>\$ 37,331</u>	<u>\$ 80,792</u>	<u>\$ 106,214</u>	<u>\$ 256,968</u>	<u>\$ 2,483,715</u>	<u>\$ 60,141</u>	<u>\$ 415,702</u>	<u>\$ 2,959,558</u>

See Notes to Consolidated Financial Statements.

The Open Hearth Association and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	Shelter and Transitional Living	Wood Yard	DOH Shelter Re-Housing	The Extended Program	Working Man's Center	Open Hearth Works	Total Program Expenses	Fundraising	Management and General	Total
Salaries and wages	\$ 600,176	\$ -	\$ 466,253	\$ 7,703	\$ 57,350	\$ 39,637	\$ 1,171,119	\$ -	\$ 184,454	\$ 1,355,573
Employee benefits and pension	102,486	17,476	91,928	1,434	11,366	3,779	228,469	-	15,958	244,427
Employee related expenses	707	-	62	-	-	-	769	-	3,219	3,988
Program expenses	10,050	-	-	-	-	296	10,346	-	1,009	11,355
Client expenses	148,813	-	14,049	839	778	-	164,479	-	616	165,095
Professional fees	-	-	-	-	4,000	18,103	22,103	19,503	96,255	137,861
Bank fees and interest	-	-	-	-	-	-	-	124	14,498	14,622
Supplies	35,939	-	1,714	2,939	140	-	40,732	-	2,572	43,304
Telephone	-	-	-	-	-	593	593	-	28,537	29,130
Postage and office supplies	-	-	-	-	357	-	357	-	14,319	14,676
Insurance	62,555	20,056	17,925	4,259	1,337	-	106,132	-	5,816	111,948
Occupancy	97,856	54	28,638	10,495	1,744	-	138,787	-	1,928	140,715
Maintenance and repairs	70,029	22,805	11,795	3,863	604	-	109,096	-	30,477	139,573
Conference and conventions	-	-	-	-	530	-	530	-	5,965	6,495
Fundraising expenses	-	-	-	-	-	-	-	17,624	4,646	22,270
Printing and publications	-	-	-	-	-	-	-	-	2,023	2,023
Dues and subscriptions	50	55	-	-	-	-	105	-	2,419	2,524
Depreciation and amortization	152,032	4,644	40,519	15,443	5,730	-	218,368	-	2,722	221,090
Vehicle expense	15,420	-	-	-	354	-	15,774	-	5,590	21,364
In-kind expenses	1,472	91,667	-	-	-	-	93,139	-	-	93,139
Cost of sales, wood	-	11,600	-	-	-	-	11,600	-	-	11,600
Subtotal	1,297,585	168,357	672,883	46,975	84,290	62,408	2,332,498	37,251	423,023	2,792,772
Less depreciation and amortization	(152,032)	(4,644)	(40,519)	(15,443)	(5,730)	-	(218,368)	-	(2,722)	(221,090)
Less in-kind expenses	(1,472)	(91,667)	-	-	-	-	(93,139)	-	-	(93,139)
Total	<u>\$ 1,144,081</u>	<u>\$ 72,046</u>	<u>\$ 632,364</u>	<u>\$ 31,532</u>	<u>\$ 78,560</u>	<u>\$ 62,408</u>	<u>\$ 2,020,991</u>	<u>\$ 37,251</u>	<u>\$ 420,301</u>	<u>\$ 2,478,543</u>

See Notes to Consolidated Financial Statements.

The Open Hearth Association and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (836,051)	\$ 47,233
Adjustments to reconcile change in net assets to net cash used in operating activities		
Unrealized (gain) loss on investments	865,483	(94,810)
Realized gain on investments	(333,699)	(180,363)
Depreciation and amortization	210,429	221,090
PPP loan forgiven	-	(215,555)
Changes in operating assets and liabilities		
Accounts receivable	(82,385)	(180)
Grants receivable	13,144	(600)
Inventory	-	11,600
Prepaid expenses	(5,205)	1,245
Accounts payable	(25,283)	38,795
Accrued expenses	16,198	34,192
Custodial liability	27,202	5,637
Refundable advance	<u>22,753</u>	<u>1,667</u>
Net cash used in operating activities	<u>(127,414)</u>	<u>(130,049)</u>
Cash flows from investing activities		
Proceeds from sale of investments	2,349,110	461,318
Purchase of investments	(2,254,742)	(218,871)
Purchase of property and equipment	<u>(78,897)</u>	<u>(89,115)</u>
Net cash provided by investing activities	<u>15,471</u>	<u>153,332</u>
Cash flows from financing activities		
Line of credit borrowings	800,000	200,000
Line of credit repayments	<u>(800,000)</u>	<u>(200,000)</u>
Net cash used in financing activities	<u>-</u>	<u>-</u>
Net (decrease) increase in cash and restricted cash	(111,943)	23,283
Cash and restricted cash, beginning	<u>398,426</u>	<u>375,143</u>
Cash and restricted cash, end	<u>\$ 286,483</u>	<u>\$ 398,426</u>
Cash paid during the year for interest	<u>\$ 9,107</u>	<u>\$ 5,306</u>

See Notes to Consolidated Financial Statements.

The Open Hearth Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2022 and 2021

Note 1 - Organization and summary of significant accounting policies

Nature of activities

The Open Hearth Association is a nonprofit corporation organized to provide food and shelter to homeless men and provide them rehabilitation and vocational guidance to enable them to re-establish themselves in the workforce. The Open Hearth Association maintains a kitchen in which clients assist in the operations for the welfare of all the clients. Other programs are provided to enable the clients to transition into the mainstream workforce. The Open Hearth Association receives its funding from a variety of sources including contributions and bequests, grants, contracts, sales of wood products, investments and fees for program services.

Open Hearth Works, Inc. was formed in 2016 as a nonprofit organization to provide job training opportunities to residents of The Open Hearth Association. The Open Hearth Association is the sole shareholder of Open Hearth Works, Inc.

Principles of consolidation

The consolidated financial statements include the accounts of The Open Hearth Association and Open Hearth Works, Inc. (collectively referred to as the "Association"). Open Hearth Works, Inc. is consolidated as The Open Hearth Association has control over Open Hearth Works, Inc. as its sole shareholder. All material inter-organization transactions and balances have been eliminated in consolidation.

Basis of presentation

The accompanying consolidated financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Association reports information regarding its financial position and activities according to the following net asset categories:

Net assets without donor restrictions

Net assets without donor restrictions represent available resources other than donor-restricted contributions. Included in net assets without donor restrictions are funds that are Board designated as funds functioning as an endowment.

Net assets with donor restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Tax-exempt status

The Open Hearth Association and Open Hearth Works, Inc. are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal or state income taxes in the accompanying consolidated financial statements.

Management has analyzed the tax positions taken by the Association and has concluded that, as of December 31, 2022 and 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Association's federal information returns prior to calendar year 2019 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Open Hearth Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2022 and 2021

If the Association were to have unrelated business income taxes, the Association would recognize interest and penalties associated with uncertain tax positions as part of income tax expense and include accrued interest and penalties with the related tax liability in the consolidated statements of financial position.

Cash and cash equivalents

The Association considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. There were no cash equivalents as of December 31, 2022 and 2021.

The following table provides a reconciliation of cash and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amount shown in the consolidated statements of cash flows:

	2022	2021
Cash	\$ 189,779	\$ 328,924
Custodial cash	96,704	69,502
Total	<u>\$ 286,483</u>	<u>\$ 398,426</u>

Custodial cash

The Association has a policy requiring residents to save for future support once they leave the shelter programs. These residents' funds held by the Association are reported as custodial cash and a corresponding custodial liability on the consolidated statements of financial position.

Investments

The Association reports investments at their current fair value and reflects any gain or loss within the accompanying consolidated statements of activities. Gains and losses are considered to be without donor restrictions unless restricted by donor stipulation or law.

Receivables

Management considers the collectability of receivables based on past history, current economic conditions and overall viability of the third party. Receivables are written off only when management believes amounts will not be collected. There were no bad debts for the years ended December 31, 2022 and 2021.

Receivables arising from regular operations are stated net of an allowance for doubtful accounts. Allowances are set based on assessments by management as to the collectability of individual accounts. There was no allowance for doubtful accounts at December 31, 2022 and 2021.

Property and equipment

The Association capitalizes all expenditures for equipment in excess of \$500 and a useful life greater than three years. Property and equipment are recorded at cost. Depreciation of property and equipment is reflected on the straight-line method for financial reporting purposes over the estimated useful lives of the assets.

The Open Hearth Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2022 and 2021

Estimated useful lives for financial reporting purposes are as follows:

Asset	Term
Buildings and building improvements	3 - 40 years
Machinery and other equipment	3 - 15 years
Furniture and fixtures	3 - 15 years
Automotive equipment	5 years
Wood yard	5 - 10 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the change in net assets for the period.

Impairment of long-lived assets

The Association evaluates their long-lived assets for impairment annually or whenever events or changes that indicate that the carrying value may not be recoverable. If the sum of the estimated future undiscounted cash flows is less than the carrying value of the related assets, a loss is recognized for the difference between the present value of the estimated net cash flows or comparable market values and the carrying value of the asset or group of assets. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment losses for 2022 and 2021.

Revenue recognition

Grants and contracts

The Association recognizes grants to the extent that eligible grant costs are incurred. Receivables are recognized to the extent that costs have been incurred, but not reimbursed. Deferred grant revenue represents grant advances which exceed eligible costs incurred.

Revenue from grants and contracts with resource providers such as the government and its agencies, other associations and private foundations are accounted for either as exchange transactions or as contributions. When the resource provider receives commensurate value in return for the resources transferred to the Association, the revenue from the grant or contract is accounted for as an exchange transaction. For purposes of determining whether a transfer of asset is a contribution or an exchange, the Association deems that the resource provider is not synonymous with the general public, i.e., indirect benefit received by the public as a result of the assets transferred is not deemed equivalent to commensurate value received by the resource provider. Moreover, the execution of a resource provider's mission or the positive sentiment from acting as a donor is not deemed to constitute commensurate value received by a resource provider. Revenue from grants and contracts that are accounted for as exchange transactions is recognized when performance obligations have been satisfied. Grants and contracts awarded for the acquisition of long-lived assets are reported as nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to grantors. As of December 31, 2022 and 2021, the Association has not been informed by any agencies (including the Departments of Housing and Correction) of any funds which are required to be returned.

The Open Hearth Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2022 and 2021

Contributions

The Association reports unconditional promises to give as revenue when the promise is received. Conditional promises to give are recognized as revenue when the condition is met. Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose conditions and restrictions are met in the same reporting period have been reported as support increasing net assets without donor restrictions in the consolidated statements of activities.

In-kind contributions

The Association recognizes contributed facilities, food donations and services in the accompanying consolidated financial statements at their estimated fair values. Contributed services are recognized in the consolidated financial statements if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition in the consolidated financial statements. However, a substantial number of volunteers have donated significant amounts of time to the Association's programs.

Program revenue

Consists of program fees, wood sales and Open Hearth Works revenue to support state grant program operations under the DOH Shelter Housing and the Extended Program. Revenue is recognized in the consolidated financial statements at a point in time when the services are provided.

Endowment fund

The Association's endowment fund includes donor-restricted funds and funds designated by the Board of Directors to function as an endowment. Net assets associated with these funds are classified and reported based on the existence of donor-imposed restrictions.

Investment and spending policy

The Association's investment policy over endowment assets attempts to maximize long-term returns through a focus on capital appreciation with current income being of secondary importance. Under this policy, investments are intended to assume a conservative level of investment risk. The Association has a general spending policy of 4% of the endowment's fair value, although additional draws may be necessary from time to time to meet operating needs.

Functional allocation of expenses

The costs of providing various programs and activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated 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 maintenance and repairs, occupancy, and depreciation, which are allocated on a square footage basis; client expenses and supplies, which are allocated on a headcount basis; and salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

The Open Hearth Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2022 and 2021

Use of estimates

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

New accounting pronouncement - Contributed nonfinancial assets

For the year ended December 31, 2022, the Association adopted Accounting Standards Update ("ASU") 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This standard provides guidance on the presentation of contributed nonfinancial assets in the consolidated statements of activities and additional disclosure requirements for each type of contributed nonfinancial asset. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the Association and will not change existing recognition and measurement requirements. The Association has implemented the provisions of ASU 2020-07 applicable to all contributed nonfinancial assets, which has been applied retrospectively to all periods presented. See Note 10 for disclosure of the Society's contributed nonfinancial assets.

Subsequent events

The Association has evaluated events and transactions for potential recognition or disclosure through September 27, 2023, which is the date the consolidated financial statements were available to be issued.

Note 2 - Concentrations

Concentrations of credit risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of temporary cash investments and receivables. Concentrations of credit risk with respect to grants receivable are limited to contractual agreements with various state agencies. Concentrations of credit risk with respect to accounts receivable are limited to amounts due from various businesses and individuals in the Hartford area. The Association maintains deposits in financial institutions that may, at times, exceed federal depository insurance limits. Management believes that the Association's deposits are not subject to significant credit risk.

Funding source concentrations

The following grantor agencies provided over 10% of the Association's total support and revenue for the year ended December 31, 2022:

Granting agency	% of revenue	% of receivable
Department of Housing	15.0%	0.00%
Department of Correction	55.8%	0.00%

The Open Hearth Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2022 and 2021

The following grantor agencies provided over 10% of the Association's total support and revenue for the year ended December 31, 2021:

<u>Granting agency</u>	<u>% of revenue</u>	<u>% of receivable</u>
Department of Housing	10.7%	0.00%
Department of Correction	35.6%	0.00%

Note 3 - Liquidity

The Association regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, 2022 and 2021, the Association has financial assets available to meet annual operating needs for the subsequent fiscal year as follows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 189,779	\$ 328,924
Accounts receivable	83,765	1,380
Grants receivable	15,500	28,644
Investments available for subsequent year	104,146	104,291
Total	<u>\$ 393,190</u>	<u>\$ 463,239</u>

These financial assets are not subject to any donor or contractual restrictions. The Association supports its general operations primarily with contributions without donor restrictions and donor-restricted funds whose time or purpose restriction has been met. In addition, the Board of Directors appropriates a portion of the earnings from the Association's board-designated and donor-restricted endowment balances as described in Note 9.

The Association's Investment Policy Statement requires the investment portfolio to maintain liquid instruments within its portfolio to ensure assets are available to meet general expenditures, liabilities and other obligations as they come due. The Association's investment committee meets quarterly to review investment performance and consider near-term liquidity needs.

In addition to financial assets available to meet general expenditures within one year, amounts reported as board designated could be made available, as needed, by Board action. The Board of Directors generally designates unusual gifts without donor restrictions such as a bequest to the board-designated endowment. The Association also has a line of credit available in the amount of \$500,000 to assist with any necessary short-term liquidity needs.

Note 4 - Investments and fair value measurement

The Association values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurement, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

The Open Hearth Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2022 and 2021

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to level 1 inputs.

Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs that are used when little or no market data is available. The fair value hierarchy gives the lowest priority to level 3 inputs.

In determining fair value, the Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers the counterparty credit risk in its assessment of fair value.

Financial assets carried at fair value at December 31, 2022 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 72,287	\$ -	\$ -	\$ 72,287
Equity mutual funds				
U.S. Large Cap	476,846	-	-	476,846
U.S. Mid Cap	313,797	-	-	313,797
U.S. Small Cap	156,841	-	-	156,841
International	225,255	-	-	225,255
Emerging markets	132,064	-	-	132,064
Fixed income mutual funds				
Investment grade	347,858	-	-	347,858
International	87,992	-	-	87,992
Global High Yield Taxable	43,769	-	-	43,769
Real estate funds	304,110	-	-	304,110
Commodities funds	82,192	-	-	82,192
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 2,243,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,243,011</u>

The Open Hearth Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2022 and 2021

Financial assets carried at fair value at December 31, 2021 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 110,378	\$ -	\$ -	\$ 110,378
Equity mutual funds				
U.S. Large Cap	992,564	-	-	992,564
U.S. Mid Cap	264,342	-	-	264,342
U.S. Small Cap	264,004	-	-	264,004
International	342,807	-	-	342,807
Emerging markets	140,860	-	-	140,860
Fixed income mutual funds				
Investment grade	478,769	-	-	478,769
International	28,007	-	-	28,007
Global High Yield Taxable	56,952	-	-	56,952
Real estate funds	169,928	-	-	169,928
Commodities funds	20,552	-	-	20,552
Total	<u>\$ 2,869,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,869,163</u>

The following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodology used at December 31, 2022.

Investments in money market funds, equity mutual funds, fixed income mutual funds, real estate funds and commodities funds are valued at the daily closing price as reported by the fund (Level 1). Mutual funds are open-ended funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The funds held by the Association are deemed to be actively traded.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investment return is summarized as follows:

	2022	2021
Interest income	\$ 113,423	\$ 109,595
Unrealized gain on investments	(865,483)	94,810
Realized gain on investments	333,699	180,363
Total	<u>\$ (418,361)</u>	<u>\$ 384,768</u>

The Open Hearth Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2022 and 2021

Note 5 - Property and equipment

Net property and equipment consisted of the following at December 31,

	2022	2021
Building and building improvements	\$ 5,784,473	\$ 5,718,607
Machinery and other equipment	321,078	308,046
Furniture and fixtures	197,693	197,693
Automotive equipment	91,574	91,574
Wood yard	-	418,212
Total	6,394,818	6,734,132
Less accumulated depreciation	(4,584,654)	(4,792,436)
Net property and equipment	<u>\$ 1,810,164</u>	<u>\$ 1,941,696</u>

Note 6 - Line of credit

The Association has a \$500,000 working capital revolving line of credit agreement with Bank of America bearing interest at the Bank's Prime Rate plus 1%, payable monthly. Borrowings under this agreement are collateralized by substantially all of the Association's assets. The line of credit is available through May 28, 2023. Interest expense incurred on the line of credit was \$9,107 and \$5,306 for the years ended December 31, 2022 and 2021, respectively.

Note 7 - Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purpose restrictions or time restrictions at December 31, 2022 and 2021:

	2022	2021
Purpose restrictions		
Resident training and programs	\$ 113,400	\$ 106,388
Open Hearth Works programs	-	99,689
Building - repairs	-	40,000
Endowment - restricted for time	37,965	77,046
Endowment - restricted in perpetuity	157,549	157,549
	<u>\$ 308,914</u>	<u>\$ 480,672</u>

The Open Hearth Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2022 and 2021

Net assets with donor restrictions released from restrictions during 2022 and 2021 by incurring expenses satisfying the following purpose or time restrictions were as follows:

	2022	2021
Purpose restrictions		
Resident training and programs	\$ 158,368	\$ 107,592
Open Hearth Works programs	99,689	-
Building - repairs	40,000	36,000
Endowment	7,201	6,837
	<u>\$ 305,258</u>	<u>\$ 150,429</u>

Note 8 - Refundable advance

On May 1, 2020, the Association received loan proceeds in the amount of \$215,555 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The Association submitted its application for PPP loan forgiveness and received notice from its lender on February 24, 2021 that the SBA approved forgiveness in the amount of \$215,555 for the PPP Loan and the related interest thereon. There is a six-year period during which the SBA can review the Association's forgiveness calculation.

Note 9 - Endowment

The Association's endowment consists of donor-restricted funds where the donor identified a portion of the fund to remain in perpetuity and unavailable for spending. These donor-restricted funds include the corpus restricted in perpetuity and the net appreciation of those funds. Funds designated by the Board of Directors as restricted to purpose or time are also included in the Association's endowment and are reported as net assets without donor restrictions.

The Board of Directors has interpreted 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 date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Association retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Association in a manner consistent with the standard of prudence prescribed by CTUPMIFA. The Association 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 Open Hearth Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2022 and 2021

- The possible effect of inflation and deflation.
- The expected total return from income (loss) and the appreciation (depreciation) of investments.
- Other resources of the organization.
- The investment policies of the organization.

Endowment net asset composition by type of fund as of December 31, 2022 is as follows:

	Without donor restriction	With donor restriction		Total
		Time and purpose restricted	Restricted in perpetuity	
Donor-restricted endowment	\$ -	\$ 37,965	\$ 157,549	\$ 195,514
Board-designated endowment funds	2,397,497	-	-	2,397,497
Total funds	<u>\$ 2,397,497</u>	<u>\$ 37,965</u>	<u>\$ 157,549</u>	<u>\$ 2,593,011</u>

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	Without donor restriction	With donor restriction		Total
		Time and purpose restricted	Restricted in perpetuity	
Endowment net assets, beginning of year	\$ 2,884,568	\$ 77,046	\$ 157,549	\$ 3,119,163
Investment return				
Investment income	52,200	3,749	-	55,949
Investment loss	(496,154)	(35,629)	-	(531,783)
Contributions	57,156	-	-	57,156
Expenditure of endowment assets	(100,273)	(7,201)	-	(107,474)
Endowment net assets, end of year	<u>\$ 2,397,497</u>	<u>\$ 37,965</u>	<u>\$ 157,549</u>	<u>\$ 2,593,011</u>

Endowment net asset composition by type of fund as of December 31, 2021 is as follows:

	Without donor restriction	With donor restriction		Total
		Time and purpose restricted	Restricted in perpetuity	
Donor-restricted endowment	\$ -	\$ 77,046	\$ 157,549	\$ 234,595
Board-designated endowment funds	2,884,568	-	-	2,884,568
Total funds	<u>\$ 2,884,568</u>	<u>\$ 77,046</u>	<u>\$ 157,549</u>	<u>\$ 3,119,163</u>

The Open Hearth Association and Subsidiary

Notes to Consolidated Financial Statements December 31, 2022 and 2021

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	Without donor restriction	With donor restriction Time and purpose restricted	Restricted in perpetuity	Total
Endowment net assets, beginning of year	\$ 2,716,756	\$ 62,133	\$ 157,549	\$ 2,936,438
Investment return				
Investment income	45,918	3,297	-	49,215
Investment gain	256,969	18,453	-	275,422
Expenditure of endowment assets	<u>(135,075)</u>	<u>(6,837)</u>	<u>-</u>	<u>(141,912)</u>
Endowment net assets, end of year	<u>\$ 2,884,568</u>	<u>\$ 77,046</u>	<u>\$ 157,549</u>	<u>\$ 3,119,163</u>

As of December 31, 2022 and 2021, donor-restricted endowment funds in the amount of \$157,549 are classified as net assets with donor restrictions in perpetuity. The earnings on these funds are to be used to support operations.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable law requires the Association to retain as a fund of perpetual duration. There were no deficiencies for the years ended December 31, 2022 and 2021.

The Association has borrowed \$250,000 from the endowment balance at December 31, 2021 to meet short-term cash flow needs. During 2022, \$150,000 of this balance was repaid to the endowment. Another \$250,000 was borrowed at December 31, 2022.

Note 10 - In-kind contributions

The Association received donated property and food in connection with its shelter and transitional living programs. The fair value of these items for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Rent	\$ -	\$ 91,667
Food	<u>-</u>	<u>1,472</u>
	<u>\$ -</u>	<u>\$ 93,139</u>

The Association has recognized corresponding rent and food expense in the accompanying consolidated statements of activities. There were no donor restrictions, and the assets were used by the Association for programs. Contributed nonfinancial assets are valued and reported at the estimated fair value in the consolidated financial statements based on current rates for similar assets.



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The Open Hearth Association and Subsidiary

**State Financial Assistance in
Accordance with the State Single Audit Act
and Independent Auditor's Reports**

December 31, 2022

The Open Hearth Association and Subsidiary

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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
The Open Hearth Association

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 The Open Hearth Association and Subsidiary (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2022, 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 September 27, 2023. The financial statements of the Subsidiary were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Subsidiary.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered The Open Hearth Association and Subsidiary'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 Open Hearth Association and Subsidiary's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Open Hearth Association and Subsidiary's internal control over financial reporting.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Open Hearth Association and Subsidiary'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 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Hartford, Connecticut
September 27, 2023

Independent Auditor's Report on Compliance for Each Major State Program;
Report on Internal Control over Compliance; and Report on the Schedule of
Expenditures of State Financial Assistance Required by the State Single Audit Act

To the Board of Directors
The Open Hearth Association

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited The Open Hearth Association and Subsidiary's compliance with the types of compliance requirements identified as subject to audit in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of The Open Hearth Association and Subsidiary's major state programs for the year ended December 31, 2022. The Open Hearth Association and Subsidiary's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Open Hearth Association and Subsidiary complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2022.

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 ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Open Hearth Association and Subsidiary 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 Open Hearth Association and Subsidiary'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 Open Hearth Association and Subsidiary's state 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 Open Hearth Association and Subsidiary'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 GAAS, *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 Open Hearth Association and Subsidiary's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *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 Open Hearth Association and Subsidiary'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 Open Hearth Association and Subsidiary'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 Open Hearth Association and Subsidiary'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 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 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 Auditor's 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 have not been 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.

Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the consolidated financial statements of The Open Hearth Association and Subsidiary, as of and for the year ended December 31, 2022, and have issued our report thereon dated September 27, 2023, which contained an unmodified opinion on those consolidated financial statements. 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 is presented for purposes of additional analysis as required by the State Single Audit Act and is 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Hartford, Connecticut
September 27, 2023

The Open Hearth Association and Subsidiary

**Schedule of Expenditures of State Financial Assistance
Year Ended December 31, 2022**

<u>State grantor/ pass-through grantor/ program title</u>	<u>State grant program CORE-CT number</u>	<u>Passed through to subrecipients</u>	<u>Expenditures</u>
Department of Housing Emergency Shelter Services (ESS)	11000-DOH46920-16149-1200901	\$ -	\$ 233,444
Department of Correction Nonresidential Programs (Halfway Houses)	11000-DOC88000-16173	-	1,203,530
Total state financial assistance		<u>\$ -</u>	<u>\$ 1,436,974</u>

See Note to Schedule of Expenditures of State Financial Assistance.

The Open Hearth Association and Subsidiary

Note to Schedule of Expenditures of State Financial Assistance December 31, 2022

The accompanying schedule of expenditures of state financial assistance (the "Schedule") includes state grant activity of The Open Hearth Association and Subsidiary (the "Organization") under programs of the State of Connecticut for the fiscal year ended December 31, 2022. 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. These financial assistance programs fund several programs including housing programs.

Note 1 - 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 entities.

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

Basis of accounting

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. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

The Open Hearth Association and Subsidiary

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2022**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's 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 programs

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

Type of auditor's opinion issued on compliance for major 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 programs included in the audit:

<u>State grantor and program</u>	<u>State CORE-CT number</u>	<u>Expenditures</u>
Department of Correction		
Nonresidential Programs (Halfway Houses)	11000-DOC88000-16173	\$ 1,203,530

Dollar threshold used to distinguish between type A and type B programs: \$ 200,000

II. Financial Statement Findings

None reported.

III. State Financial Assistance Findings and Questioned Costs

None reported.



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