

By-the Numbers- The Merger At-a-Glance (Confidential)

Basic DOC Contract Term: July 1, 2014 through July 31, 2020 Contract Original Value: \$10,460,070

Balance on contract as of July 1, 2018: \$3,486,690

Average Contract Per Year: \$1,743,345- With Rentals Revenue \$1.9Million
(Revenue paid qtrly up front at \$425K/ Qtr)

Average Annual Rental Income: \$75,000 - \$85,000 (Received Monthly)

Number of Homes/Bed Capacity: 4 Houses/60 residents

Property and Equipment	Values	Depreciated Values as of June 30, 2017:
• Land:	\$ 184,881	\$184,881
• Buildings and Improvements:	\$ 1,075,467	\$467,900
• Furniture and Equipment:	\$ 339,995	\$81,155
• Automobiles:	<u>\$ 84,328</u>	<u>\$31,005</u>
TOTAL:	\$1,684,671	\$764,941

Mortgages Payable (Peoples Bank): \$369,127 on 2 houses

Equipment Leases: \$10,932 (Not needed after 3 years)

No. of FTE's: 23 No. of Part/Time: 21

Additional (Potential Savings) through Merger (Annual vs. FY 19 -9 months):

- Personnel/Fringe Savings: \$37,578/yr- \$28,184 (9 months) includes a 10% increase
- Audit Fees Reduction \$ 6,000/yr- \$0 (9 months) Prepaid FY 18
- Office Rent \$14,400/yr- \$ 9,600 (8 months)

Total Savings after merger: \$57,5789 Going Yr) \$37,784 (FY 19)

Closing Cash Transactions (net CRI Position after closing):

Unrestricted IH Cash Transfer: \$120,000

Short Term (First 6 Months) Discretionary Cash Needs:

- Home Improvements: \$55,000* (Funds are also part of OPM Capacity Grant)
- Data Management System: \$18,000* (Funds are also part of OPM Capacity Grant)
- Admin Moving Expenses: \$ 1,500
- Security and IT Updates: \$16,000* (Funds are also part of OPM Capacity Grant)

Total Discretionary Cash Needed: \$90,500

Less DOC Contract Balance \$37,784

Net Balance Due \$ 52,716

Less Cash Transfers to CRI:

Unrestricted IH Cash Assets \$120,000

IH FY 18 Operating Surplus Carryover \$ 20,000

Net CRI Cash Balance Transfer \$87,284

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CRI/ Isaiah House Merger Timeline Review

October of 2017 - CRI engaged in merger talks with Isaiah after learning that a previous merger broke down with Family ReEntry. As a matter of clarity, the merger fell through with Family ReEntry, because DOC reduced funding by 4% and staffing structure of the new program could not be agreed upon (Family ReEntry). According to Isaiah management, the deal fell through because Family ReEntry misrepresented their financial position.

November of 2017 -CRI approached Connecticut Department of Correction's Commissioner (Scott Semple) to gain his support of this potential merger. CRI met with DOC contract's team and Deputy Commissioner Haggan. It was agreed in concept, that DOC would support this merger.

March of 2018 - Isaiah's Executive Director and Board Chair presented to the CRI board. At this board meeting it was unanimously agreed upon to move forward with merger discussions and at this point, CRI engaged with ProBono Partners to begin legal merger proceedings.

April of 2018 – June of 2018, CRI and Isaiah shared financials and contract information related to a potential merger. Terms of merger were initially agreed upon.

June of 2018 – CRI met with People's Bank to review the line of credit and to discuss options if re-payment could not be recognized due to cash flow issues and unsecured debt. Peoples was pleased to find out that a merger talks were occurring with Isaiah and as a result extended the agreement until such time a merger was resolved. Peoples, endorsed this merger at this meeting as the primary mortgage is through them and CRI's credit line could be secured via the equity balance.

July of 2018 – CRI management and Board Chair met with Connecticut Department of Corrections to formally present the merger plans and gain final sign off. DOC was impressed and on July 24, 2018 agreed to the merger, thereby paving the way for CRI to assume control of the DOC contract.

August of 2018 – CRI continued with the due diligence process and engaged contractors to tour and estimate repairs on the four homes. CRI also met with DOC to determine program improvements and to interview and hire a new director pending the merger.

September of 2018 – CRI initiated the onboarding process of 43 staff. Rewrote job descriptions and initiated all pre-employment physicals and drug tests, with an understanding that a merger will be finalized on or about October 1, 2018. Final documents are being prepared and sign-offs from DOC to move the contract from Isaiah to CRI.

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Why the CRI/ IH merger?

Vision & Mission Strategies Met

- Since Isaiah is a work release program, it aligns with our vision & mission of improving our CRI served Bridgeport communities through employment, economic security and social support. The Mayor's Initiative on Re-Entry Affairs(MIRA) provides a major collaborative model for increasing CRI services.
- CRI had been a leader in community reentry issues for over a decade. Our experience in operating community reentry programs for CSSD and DOC has been stellar. CRI was a founder of the Bridgeport Reentry Collaborative.
- CRI can leverage and mobilize additional programs that will help with recidivism and increase potential earnings for CRI as Isaiah participants return to work. CRI was one of six organizations to work with the state of CT to develop certified programs to provide effective services for adult reentering fathers. Our Fathers for Life program is recognized by the state as a model. Finally, our STRIVE programs are well suited for preparing ex-offenders workforce preparation and placement
- DOC work release programs will not be eliminated by the State of CT due to Federal & State mandates.

Financial Leverage Met

- The \$2 million of DOC revenue will diversify our CRI revenue base and not make us as vulnerable to reductions in DOL funds.
- DOC payments to CRI are quarterly and upfront thereby helping us relieve some of our DOL cash flow challenges.
- Through this merger, our line of credit can be substantially restructured. We can find better rates since equity is achieved through the purchase of the homes. People's Bank is also the Isaiah House bank and is very supportive in restructuring our LOC and debt based on CRI having hard assets.
- Running half-way houses is not a line of business that The WorkPlace or other WIBs will likely move into... allowing for more stable CRI financial planning.