

**THE NEW LONDON HOMELESS
HOSPITALITY CENTER, INC.**

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2010**

**TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

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**GOThIE, HOYT
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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The New London Homeless Hospitality Center, Inc.
New London, Connecticut

We have audited the accompanying statement of financial position of the New London Homeless Hospitality Center, Inc. (Center) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the New London Homeless Hospitality Center, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gothie, Hoyt & Filippetti, LLC

Groton, Connecticut
November 10, 2010

THE NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

	2010
CURRENT ASSETS	
Cash and cash equivalents	\$ 74,427
Certificate of deposit	16,700
Grants receivable	21,500
Prepaid expenses	6,638
Total current assets	<u>119,265</u>
PROPERTY AND EQUIPMENT	
Land	24,979
Building and improvements	197,505
Furniture and equipment	13,556
Vehicle	7,000
	<u>243,040</u>
Less: accumulated depreciation	7,303
	<u>235,737</u>
OTHER ASSETS	
Security deposit	1,068
Other deposits	5,000
Total other assets	<u>6,068</u>
Total assets	<u><u>\$ 361,070</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Current portion of long-term debt	\$ 3,967
Accounts payable	2,534
Accrued expenses	27,379
Total current liabilities	<u>33,880</u>
LONG-TERM DEBT, less current maturities	<u>24,173</u>
Total liabilities	<u>58,053</u>
NET ASSETS	
Unrestricted:	
Undesignated	25,708
Designated as investment in property and equipment	207,597
Total unrestricted net assets	<u>233,305</u>
Temporarily restricted	69,712
Total net assets	<u>303,017</u>
Total liabilities and net assets	<u><u>\$ 361,070</u></u>

The accompanying notes are an integral part of these financial statements.

THE NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Federal and state grants	\$ 234,975	\$ -	\$ 234,975
Contributions	295,468	-	295,468
Non cash contributions:			
Food	643	-	643
Clothing and personal items	3,262	-	3,262
Furniture and household items	1,200	-	1,200
General contractor fees	24,000	-	24,000
Legal services	32,444	-	32,444
Thrift shop sales	152,020	-	152,020
Special fundraising events	9,152	-	9,152
Interest income	847	-	847
Net assets released from restrictions:			
Community service teams	2,000	(2,000)	-
	<u>756,011</u>	<u>(2,000)</u>	<u>754,011</u>
EXPENSES			
Program services:			
Daytime Hospitality Center	255,184	-	255,184
Nighttime Shelter	159,146	-	159,146
Thrift shop program	131,630	-	131,630
VA Housing	3,651	-	3,651
Total program services	<u>549,611</u>	<u>-</u>	<u>549,611</u>
Supporting services:			
Management and general	24,365	-	24,365
Special fundraising events	1,522	-	1,522
Total supporting services	<u>25,887</u>	<u>-</u>	<u>25,887</u>
Total expenses	<u>575,498</u>	<u>-</u>	<u>575,498</u>
Change in net assets	180,513	(2,000)	178,513
NET ASSETS, beginning of year	<u>52,792</u>	<u>71,712</u>	<u>124,504</u>
NET ASSETS, end of year	<u>\$ 233,305</u>	<u>\$ 69,712</u>	<u>\$ 303,017</u>

The accompanying notes are an integral part of these financial statements.

THE NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	PROGRAM SERVICES				SUPPORTING SERVICES			
	Daytime Hospitality Center	Nighttime Shelter	Thrift Shop Program	VA Housing	Total	Management and General	Special Fundraising Events	Total
Salaries	\$ 190,324	\$ 83,046	\$ 46,462	\$ -	\$ 319,832	\$ 9,107	\$ -	\$ 9,107
Payroll taxes and benefits	26,871	11,329	4,628	-	42,828	1,743	-	1,743
Total payroll related costs	217,195	94,375	51,090	-	362,660	10,850	-	10,850
Supplies	8,942	11,087	3,153	1,360	24,542	-	-	24,542
Repairs and maintenance	3,031	744	659	-	4,434	438	-	438
Insurance	554	-	2,237	1,326	4,117	1,688	414	2,102
Occupancy	11,616	16,500	4,520	386	33,022	-	-	-
Rent	-	-	34,398	-	34,398	-	-	-
Office expense and supplies	-	-	1,625	-	1,625	3,241	913	4,154
Consulting	-	-	14,400	-	14,400	-	-	-
Professional fees	-	32,444	2,494	50	34,988	6,284	120	6,404
Travel	6,253	-	-	-	6,253	320	-	320
Staff development	275	-	-	229	504	1,240	-	1,240
Laundry and guest support	1,200	-	-	-	1,200	-	-	-
Casual labor	-	-	3,276	-	3,276	-	-	-
Vehicle expense	-	-	8,709	-	8,709	-	-	-
Waste removal	-	1,805	366	-	2,171	-	-	-
Telephone	4,762	966	795	-	6,523	-	-	-
Advertising	-	-	868	-	868	-	-	-
Interest expense	-	-	-	300	300	-	-	-
Miscellaneous	200	70	1,673	-	1,943	304	75	379
Total expenses before depreciation	254,028	157,991	130,263	3,651	545,933	24,365	1,522	25,887
Depreciation	1,156	1,155	1,367	-	3,678	-	-	-
Total expenses	\$ 255,184	\$ 159,146	\$ 131,630	\$ 3,651	\$ 549,611	\$ 24,365	\$ 1,522	\$ 25,887
								\$ 575,498

The accompanying notes are an integral part of these financial statements.

THE NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 178,513
Adjustments to reconcile the change in net assets to net cash provided by operating activities:	
Non cash donation - property and equipment	(24,000)
Depreciation	3,678
Changes in operating assets and liabilities:	
Increase in grants receivable	(21,500)
Increase in prepaid expenses	(2,391)
Increase in accounts payable	1,033
Increase in accrued expenses	8,408
Net cash provided by operating activities	<u>143,741</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in other deposits	(5,000)
Purchases of property and equipment	<u>(168,983)</u>
Net cash used in investing activities	<u>(173,983)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of long-term debt	<u>(1,860)</u>
Net cash used in financing activities	<u>(1,860)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(32,102)
CASH AND CASH EQUIVALENTS, beginning of year	<u>106,529</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 74,427</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION	
Cash paid during the year for interest	\$ 300
Non cash investing and financing activities:	
Land and building acquired through assumption of long-term debt	\$ 30,000
Noncash donation of property and equipment	\$ 24,000

The accompanying notes are an integral part of these financial statements.

THE NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE OF ORGANIZATION

The New London Homeless Hospitality Center, Inc. (Center) was established to provide a place of hospitality for the homeless. At night, the Center provides a shelter for single adults. The goal is to provide a place of rest and safety in a setting that is welcoming and dignified. On an average night, the Center provides a place of safety for about fifty (50) men and women. During the day, the Center offers a hospitality center where the homeless can find sanctuary and practical assistance. The hospitality center helps address some of the practical aspects of being homeless such as getting mail, taking a shower, and finding a place to sit in cold weather. The hospitality center also works to link people with the resources they need to return to permanent housing. On an average day, eighty (80) people visit the daytime hospitality center. The thrift shop sells donated goods and proceeds from the shop help support the Center's programs.

USE OF ESTIMATES

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

NET ASSET CATEGORIES

To ensure observance of limitations and restrictions placed on the use of resources available to the Center, the accounts of the Center are maintained in the following net asset categories:

Unrestricted

Unrestricted net assets represent available resources other than donor-restricted contributions.

Temporarily Restricted

Temporarily restricted net assets represent contributions and investment earnings thereon that are restricted by the donor either as to purpose or as to time of expenditure.

Grants and Contracts

Grants and contracts are generally characterized as exchange transactions in which the grantor or contractor requires the performance of specific activities.

Entitlement to cost reimbursement grants and contracts is based on the expenditure of funds in accordance with grant restrictions. Therefore, revenue is recognized to the extent of grant expenditures. For performance-based grants and contracts, revenue is recognized to the extent of the performance achieved. Grant receipts in excess of revenue recognized are presented as deferred grant revenue.

THE NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

RECOGNITION OF SUPPORT AND REVENUE

Contributions

Contributions are defined as voluntary, nonreciprocal transfers.

Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. The Center recognizes contributions of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restrictions ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received whose use is contingent on the occurrence of a future event are presented as deferred support until such conditions are substantially met, at which time they are recognized as support.

Donated Services

The Center recognizes contributions of services received if they create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet this criteria for recognition in the financial statements. However, a substantial number of volunteers have donated significant amounts of time to the Center's programs.

For the year ended June 30, 2010, donated legal services of \$32,444 and general contractor fees of \$24,000 have been recognized in the accompanying financial statements. The legal fees were incurred in connection with zoning issues related to the Center's night time shelter. The general contractor fees were incurred as part of the renovations to the new VA residence that was purchased in the current year.

Donated Assets

Donated assets, including the usage of assets such as rent are recognized at their estimated fair market value.

The Center reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions in full when the donated or acquired long-lived assets are placed in service.

THE NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (*Continued*)
JUNE 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

CASH EQUIVALENTS

For purposes of the statement of cash flows, the Center defines cash equivalents as liquid investments with an original maturity of three months or less. The Center had cash equivalents of \$14,419 at June 30, 2010, which consists of a money market account.

PROPERTY AND EQUIPMENT

Property and equipment acquisitions and improvements thereon that individually exceed \$1,000 are capitalized at cost, if purchased or at market or assessed value on the date of gift or bequest. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	20 – 40 years
Vehicles	5 years
Furniture, fixtures and equipment	5 - 10 years

Repairs and maintenance are charged to expense as incurred.

FAIR VALUE MEASUREMENTS

The fair values of the Center's financial instruments are determined using quoted prices in active markets for identical assets (Level 1, as defined in FASB ASC 820, Fair Value Measurements and Disclosures).

INCOME TAXES

The Internal Revenue Service has determined that the Center is exempt from federal income taxes on exempt function income as a public charity under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying financial statements.

The Center adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FASB Accounting Standards Codification "ASC" 740-10), on July 1, 2009. As a result of the implementation, the Center did not recognize any liability for uncertain tax positions.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 10, 2010, which is the date the financial statements were available to be issued. There were no additional subsequent events identified that require disclosure.

THE NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Center's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, certificates of deposit, and grants receivable. The Center places its cash deposits in high quality financial institutions and such deposits are fully covered by federal depository insurance. Grants receivable consist primarily of amounts due under a contract with a federal agency, and based on historical experience, management believes these receivables represent negligible credit risk. Accordingly, management has not established an allowance for potential credit losses.

NOTE 3 - LONG-TERM DEBT

A summary of long-term debt follows:

Halfway Home, LLC. mortgage, due March 2017, monthly payments of \$396 including principal and interest at 3.0%	\$ 28,140
Less: current maturities	<u>3,967</u>
	<u>\$ 24,173</u>

Principal maturities of long-term debt in each of the succeeding years are as follows:

Year ending June 30:	
2011	\$ 3,967
2012	4,088
2013	4,212
2014	4,340
2015 and thereafter	<u>11,533</u>
	<u>\$ 28,140</u>

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at June 30, 2010:

Shelter building purchase and improvements	<u>\$ 69,712</u>
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NOTE 5 - OPERATING LEASE

In February 2010, the Center entered into a one year lease agreement for its Thrift Shop Program. The monthly lease amount is \$3,000. Future minimum lease payments for the fiscal year ending June 30, 2011 will be \$24,000.

Rent expense under all arrangements totaled \$34,398 for the year ended June 30, 2010.

THE NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (*Continued*)
JUNE 30, 2010

NOTE 6 - OTHER DEPOSITS

On August 30, 2009 the Center entered into an agreement with The Saint Peter and Paul Polish National Catholic Church to purchase a building for \$275,000 to house the Center's daytime hospitality center and nighttime shelter. The Center plans to pay \$75,000 at closing and obtain a mortgage note for the balance. As of June 30, 2010 a \$5,000 deposit was made towards the purchase.