

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

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2019**

**TOGETHER WITH
INDEPENDENT AUDITORS' REPORT,**

SUPPLEMENTARY INFORMATION

AND

STATE SINGLE AUDIT REPORTS

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
TABLE OF CONTENTS
JUNE 30, 2019

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
STATE SINGLE AUDIT REPORTS	
State Internal Control and Compliance Reports	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14
Independent Auditors' Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the State Single Audit Act	16
Schedule of Expenditures of State Financial Assistance	
Schedule of Expenditures of State Financial Assistance	18
Note to Schedule of Expenditures of State Financial Assistance	19
Schedule of State Findings and Questioned Costs	20
Schedule of the Status of Prior Year Audit Findings	22

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of New London Homeless Hospitality Center, Inc. (the Center), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these 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.

AUDITORS' RESPONSIBILITY

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 and the standards applicable to the financial audits contained in the *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New London Homeless Hospitality Center, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF A MATTER

As discussed in *Note 1*, during the year ended June 30, 2019, the Organization adopted Accounting Standards Update No. 2016-14, *Not-For-Profit-Entities (Topic 958); Presentation of Financial Statements of Not-For-Profit-Entities*. Our Opinion is not modified with respect to this matter.

OTHER MATTERS

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by the State Single Audit Act, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENTAL AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2019 on our consideration of the Center's internal control over financial reporting and 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 Center'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 Center's internal control over financial reporting and compliance.

REPORT ON SUMMARIZED COMPARATIVE INFORMATION

We have previously audited New London Homeless Hospitality Center, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hoyt, Filippetti & Malashan, LLC

Groton, Connecticut
December 5, 2019

FINANCIAL STATEMENTS

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(With Summarized Financial Information for 2018)

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 564,960	\$ 870,103
Grants receivable	37,699	45,365
Prepaid expenses	48,876	32,872
Total current assets	651,535	948,340
 PROPERTY AND EQUIPMENT, net	 3,152,658	 2,611,302
Total assets	\$ 3,804,193	\$ 3,559,642

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 89,953	\$ 81,807
Accounts payable	15,611	78,117
Deferred revenue	-	78,947
Accrued expenses	106,585	95,334
Security deposits	23,467	8,900
Total current liabilities	235,616	343,105
 OTHER LIABILITIES		
Long-term debt, less current maturities	422,435	266,032
Total other liabilities	422,435	266,032
Total liabilities	658,051	609,137
 NET ASSETS		
Without donor restriction:		
Undesignated	354,180	316,411
Designated as investment in property and equipment, net of related debt	2,640,270	2,263,463
Total net assets without donor restrictions	2,994,450	2,579,874
With donor restrictions	151,692	370,631
Total net assets	3,146,142	2,950,505
Total liabilities and net assets	\$ 3,804,193	\$ 3,559,642

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

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(With Summarized Financial Information for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUES				
Grants and contracts	\$ 1,483,101	\$ -	\$ 1,483,101	\$ 1,050,687
Contributions	496,389	18,000	514,389	834,617
Non cash contributions:				
Building rent	19,625	-	19,625	18,375
Thrift shop sales	139,958	-	139,958	125,303
Other income	11,597	-	11,597	16,422
Net assets released from restrictions	236,939	(236,939)	-	-
	2,387,609	(218,939)	2,168,670	2,045,404
EXPENSES				
Program services:				
Day and night shelter	711,964	-	711,964	675,764
Thrift shop program	175,117	-	175,117	164,694
Housing	786,122	-	786,122	595,283
Total program services	1,673,203	-	1,673,203	1,435,741
Supporting services:				
Management and general	261,452	-	261,452	286,051
Fundraising	38,378	-	38,378	12,625
Total supporting services	299,830	-	299,830	298,676
Total expenses	1,973,033	-	1,973,033	1,734,417
Change in net assets	414,576	(218,939)	195,637	310,987
NET ASSETS, beginning of year	2,579,874	370,631	2,950,505	2,639,518
NET ASSETS, end of year	\$ 2,994,450	\$ 151,692	\$ 3,146,142	\$ 2,950,505

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

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Summarized Financial Information for 2018)

	2019								
	PROGRAM SERVICES				SUPPORTING SERVICES				
	Day and Night Shelter	Thrift Shop Program	Housing	Total	Management and General	Fundraising	Total	Total 2019	Total 2018
Salaries	\$ 394,926	59,433	446,153	\$ 900,512	\$ 118,103	31,342	\$ 149,445	\$ 1,049,957	\$ 905,941
Payroll taxes and benefits	63,322	9,529	71,536	144,387	18,937	5,024	23,961	168,348	157,346
Total payroll related costs	458,248	68,962	517,689	1,044,899	137,040	36,366	173,406	1,218,305	1,063,287
Supplies	41,672	295	1,741	43,708	12,487	-	12,487	56,195	72,561
Repairs and maintenance	14,287	1,242	8,807	24,336	9,406	-	9,406	33,742	31,659
Insurance	16,270	7,000	18,235	41,505	7,000	-	7,000	48,505	27,135
Occupancy	20,037	13,395	65,075	98,507	16,862	-	16,862	115,369	89,862
Rent	16,497	55,750	35,630	107,877	2,048	-	2,048	109,925	91,075
Office expense and supplies	13,294	453	2,204	15,951	11,778	2,012	13,790	29,741	18,743
Casual labor	6,079	10,146	4,190	20,415	257	-	257	20,672	10,959
Professional fees	4,720	533	6,970	12,223	38,418	-	38,418	50,641	54,587
Travel	1,126	-	8,554	9,680	805	-	805	10,485	9,922
Staff development	1,152	-	2,110	3,262	4,832	-	4,832	8,094	8,766
Guest support	30,440	-	47,170	77,610	1,016	-	1,016	78,626	101,583
Vehicle expense	6,775	10,655	1,369	18,799	-	-	-	18,799	18,645
Telephone	10,438	1,222	15,330	26,990	9,856	-	9,856	36,846	23,790
Interest expense	4,497	-	19,115	23,612	-	-	-	23,612	17,773
Bank and credit card fees	-	3,017	-	3,017	3,179	-	3,179	6,196	3,430
Miscellaneous	7,196	1,145	1,826	10,167	2,322	-	2,322	12,489	11,424
Total expenses before depreciation	652,728	173,815	756,015	1,582,558	257,306	38,378	295,684	1,878,242	1,655,201
Depreciation	59,236	1,302	30,107	90,645	4,146	-	4,146	94,791	79,216
Total expenses	<u>\$ 711,964</u>	<u>\$ 175,117</u>	<u>\$ 786,122</u>	<u>\$ 1,673,203</u>	<u>\$ 261,452</u>	<u>\$ 38,378</u>	<u>\$ 299,830</u>	<u>\$ 1,973,033</u>	<u>\$ 1,734,417</u>

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

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(With Summarized Financial Information for 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 195,637	\$ 310,987
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	94,791	79,216
Changes in operating assets and liabilities:		
Grants receivable	7,666	48,765
Prepaid expenses	(16,004)	4,811
Accounts payable	(62,506)	69,356
Accrued expenses	11,251	24,718
Security deposits	14,567	8,900
Deferred revenue	(78,947)	78,947
Net cash provided by operating activities	166,455	625,700
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash outlay for property and equipment	(451,147)	(172,984)
Net cash used in investing activities	(451,147)	(172,984)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease	-	(1,988)
Repayment of long-term debt	(20,451)	(18,380)
Net cash used in financing activities	(20,451)	(20,368)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(305,143)	432,348
CASH AND CASH EQUIVALENTS, beginning of year	870,103	437,755
CASH AND CASH EQUIVALENTS, end of year	\$ 564,960	\$ 870,103
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 17,809	\$ 17,773
Non cash investing and financing activities:		
Land and building acquired through assumption of long-term debt	\$ 185,000	\$ -

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

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE OF ORGANIZATION

New London Homeless Hospitality Center, Inc. (the 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 the proceeds from the shop contribute to the support the Center's programs. The Center also provides a transitional housing program serving those experiencing homelessness.

CHANGE IN ACCOUNTING PRINCIPLE

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Not-For-Profit-Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The Amendment changes the previous reporting model for nonprofit organizations and enhances the disclosure requirements. The major changes include (a) requiring the presentation of only two classes of net assets rather than three, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investments expenses and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. This ASU is effective for annual periods beginning after December 15, 2017. Management has adopted ASU 2016-14 for the year ended June 30, 2019. The amendments have been retrospectively applied.

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.

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION

The financial statements include certain prior year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financials as of and for the year ended June 30, 2018, from which the summarized information was derived. Certain reclassifications have been made to the 2018 amounts to conform with the current year presentation.

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:

Without Donor Restrictions

Net assets without donor restrictions represent available resources other than donor-restricted contributions.

With Donor Restrictions

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

RECOGNITION OF SUPPORT AND REVENUE

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 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 support with donor restrictions if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified 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.

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECOGNITION OF SUPPORT AND REVENUE (Continued)

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.

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. 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 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.

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 totaling \$256,711 as of June 30, 2019 which consist 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.

SALES TAX

The Center collects Connecticut sales tax from customers on the sale of taxable goods at the Thrift Shop. The Center remits the entire amount to the state. The Center's accounting policy is to exclude the sales tax collected and remitted to the state from revenue and expenses.

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 did not recognize any liability for uncertain tax positions as defined by accounting principles generally accepted in the United States of America.

The federal tax return of the Center for the year ended June 30, 2019 is subject to examination by the IRS, generally for three years after it has been filed.

SUBSEQUENT EVENTS

The Center has performed an evaluation of subsequent events through December 5, 2019, which is the date the financial statements were available to be issued. There were no subsequent events that require additional disclosure.

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 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. 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 - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

Land	\$ 468,124
Buildings and improvements	2,890,935
Furniture and equipment	90,746
Vehicles	154,909
	<hr/>
	3,604,714
Less: accumulated depreciation	452,056
	<hr/>
	<u>\$ 3,152,658</u>

Depreciation expense for the year ended June 30, 2019 was \$94,791.

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - LINE OF CREDIT

The Center has established a \$100,000 line of credit with a local bank. The line of credit bears interest at prime plus 1.5%. There was no activity with this line of credit during the year ended June 30, 2019.

NOTE 5 - LONG-TERM DEBT

A summary of long-term debt follows:

Equity Trust, Inc. mortgage, due December 2020, annual principal payments of \$69,000 and monthly interest on the unpaid balance at 5.0%.	\$ 185,000
Eastern Savings Bank mortgage, due September 2028, monthly payments of \$860 including principal and interest at 4.75%	71,743
Equity Trust, Inc. mortgage, due May 2024, monthly payments of \$664 including principal and interest at 5.0%	61,413
Equity Trust, Inc. mortgage, due July 2021, monthly payments of \$395 including principal and interest at 5.0%	43,824
Liberty Bank mortgage, due December 2035, monthly payments of \$1,090 including principal and interest at 4.59%	<u>150,408</u>
	512,388
Less: current maturities	<u>89,953</u>
	<u>\$ 422,435</u>

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

Year ending June 30:	
2020	\$ 89,953
2021	90,979
2022	70,057
2023	24,199
2024	25,371
2025 and thereafter	<u>211,829</u>
	<u>\$ 512,388</u>

Interest expense on long term debt was \$23,612 for the year ended June 30, 2019.

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects New London Homeless Hospitality Center's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available also include board designated amounts that could be utilized if the Board of Trustees approved the use. However, amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

Financial assets, at year-end	
Cash and cash equivalents	\$ 564,960
Grants receivable	37,699
	<u>602,659</u>
Less those unavailable for general expenditures within one year, due to:	
Security deposits	23,467
Client custodial accounts	21,299
Contractual or donor-imposed restrictions	151,692
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 406,201</u>

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following at June 30, 2019:

Time-restricted	\$ 133,692
Purpose restricted:	
Housing program	18,000
	<u>\$ 151,692</u>

Net assets with donor restrictions that were released from donor restrictions during the year ended June 30, 2019 by satisfying the following restrictions:

Time-restricted	\$ 50,134
Purpose restricted:	
Training and education	5,355
Respite center	153,450
Housing program	28,000
	<u>\$ 236,939</u>

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 - OPERATING LEASES

The Center leases the space for its Thrift Store Program under a month to month operating lease. The monthly lease amount is \$4,000 plus utilities.

The Center also rents space for housing on a periodic basis as part of its Housing Program.

Rent expense under all these arrangements totaled \$109,925, which includes \$19,625 of donated rent, for the year ended June 30, 2019.

NOTE 9 – METHODS USED FOR ALLOCATION OF EXPENSES AMONG FUNCTIONS

The financial statements of The New London Homeless Hospitality Center report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expense require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and office and occupancy, which are both allocated on a square footage basis, as well as salaries and benefits, which are allocated on the basis of time and effort studies.

STATE SINGLE AUDIT REPORTS

**STATE INTERNAL CONTROL AND
COMPLIANCE REPORTS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

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 financial statements of New London Homeless Hospitality Center, Inc. (the Center) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 05, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered New London Homeless Hospitality Center, Inc.'s internal control over financial reporting (internal control) to determine 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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than material weaknesses, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Center's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hoyt, Filippetti & Malachuk, LLC

Groton, Connecticut

December 5, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE STATE SINGLE AUDIT ACT**

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

REPORT COMPLIANCE FOR EACH MAJOR STATE PROGRAM

We have audited New London Homeless Hospitality Center, Inc.'s (the Center) compliance with the types of compliance requirements described in the *Office of Policy and Management's Compliance Supplement* that could have a direct and material effect on each of the Center's major state programs for the year ended June 30, 2019. New London Homeless Hospitality Center, Inc.'s major state programs are identified in the summary of auditors' results section of the accompanying schedule of state findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its state programs.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the Center's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Center's compliance.

OPINION ON EACH MAJOR STATE PROGRAM

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's 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 a 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 first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut
December 5, 2019

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE**

**NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019**

Grantor; Program Title; Description	Grant Number	State Program Identification Number	State Assistance
DEPARTMENT OF HOUSING			
Direct:			
Emergency Shelter Services	15DOH0101CD	12060-DOH46900-16149	\$ 104,707
Emergency Shelter Program	18DOH0001CIA	12060-DOH46900-35328	78,947
Affordable Housing (Flexible Program)	FX1809504	12063-DOH46900-40237	293,500
Passed through the <u>United Way of Southeastern Connecticut</u>			
Coordinated Access Network	15DOH0023CIA	12060-DOH46920-35328	50,873
			<u>528,027</u>
DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES			
Direct:			
Housing Support and Services		11000-MHA53000-12035	127,605
Total			<u>\$ 655,632</u>

The accompanying notes are an integral part of this schedule.

**NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A - ACCOUNTING BASIS

BASIC FINANCIAL STATEMENTS

The accounting policies of New London Homeless Hospitality Center, Inc. (the Center) conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of state financial assistance is presented in accordance with the State Single Audit Act.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance-based awards, revenues are recognized to the extent of performance achieved during the period.

**SCHEDULE OF STATE FINDINGS
AND QUESTIONED COSTS**

**NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiency(ies) identified? _____ Yes ✓ None reported

Noncompliance material to financial statements noted? _____ Yes ✓ No

STATE FINANCIAL ASSISTANCE

Internal control over major programs:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiency(ies) identified? _____ Yes ✓ None reported

Type of auditors’ report 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 ✓ No

The following schedule reflects the major programs included in the audit:

<i>State Grantor/Program</i>	State Grant Program Identification Number	Expenditures
Department of Housing		
Emergency Shelter Services	12060-DOH46900-16149	\$ 104,707
Affordable Housing (Flexible Program)	12063-DOH46900-40237	\$ 293,500
Department of Mental Health and Addiction Services		
Housing Support and Services	11000-MHA53000-12035	\$ 127,605
Dollar threshold used to distinguish between Type A and Type B program:		\$100,000

**NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

**SECTION II– SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS
REQUIRED UNDER *GOVERNMENT AUDITING STANDARDS***

- We issued a report dated December 5, 2019 on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on internal control over financial reporting indicated no material weaknesses.
- Our report on compliance indicated no reportable instances of noncompliance.

SECTION III – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None

**NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
SCHEDULE OF THE STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

- There were no findings or questioned costs reported in the prior year.