

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

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2020**

**TOGETHER WITH
INDEPENDENT AUDITORS' REPORT,
AND
FEDERAL SINGLE AUDIT REPORTS**



NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
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JUNE 30, 2020

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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, 2020, 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 General 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 the Center as of June 30, 2020, 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.

REPORT ON SUMMARIZED COMPARATIVE INFORMATION

We have previously audited the Center's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 5, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 February 25, 2021 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.

Hoyt, Filippetti & Malashan, LLC

Groton, Connecticut
February 25, 2021

FINANCIAL STATEMENTS

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(With Summarized Financial Information for 2019)

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 987,565	\$ 564,960
Grants receivable	302,742	37,699
Prepaid expenses	40,741	48,876
Total current assets	<u>1,331,048</u>	<u>651,535</u>
 PROPERTY AND EQUIPMENT, net	 3,219,926	 3,152,658
Total assets	<u><u>\$ 4,550,974</u></u>	<u><u>\$ 3,804,193</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 101,976	\$ 89,953
Accounts payable	12,552	15,611
Deferred revenue	219,232	-
Accrued expenses	135,414	106,585
Security deposits	17,363	23,467
Total current liabilities	<u>486,537</u>	<u>235,616</u>
 OTHER LIABILITIES		
Long-term debt, less current maturities	703,584	422,435
Total other liabilities	<u>703,584</u>	<u>422,435</u>
Total liabilities	1,190,121	658,051
 NET ASSETS		
Without donor restriction:		
Undesignated	819,654	354,180
Designated as investment in property and equipment, net of related debt	2,414,366	2,640,270
Total net assets without donor restrictions	<u>3,234,020</u>	<u>2,994,450</u>
With donor restrictions	126,833	151,692
Total net assets	<u>3,360,853</u>	<u>3,146,142</u>
Total liabilities and net assets	<u><u>\$ 4,550,974</u></u>	<u><u>\$ 3,804,193</u></u>

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, 2020

(With Summarized Financial Information for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
REVENUES				
Grants and contracts	\$ 1,762,152	\$ -	\$ 1,762,152	\$ 1,483,101
Contributions	723,444	34,000	757,444	514,389
Non cash contributions:				
Building rent	13,500	-	13,500	19,625
Thrift shop sales	84,357	-	84,357	139,958
Other income	14,174	-	14,174	11,597
Net assets released from restrictions	58,859	(58,859)	-	-
	<u>2,656,486</u>	<u>(24,859)</u>	<u>2,631,627</u>	<u>2,168,670</u>
EXPENSES				
Program services:				
Day and night shelter	929,683	-	929,683	711,964
Thrift shop program	115,334	-	115,334	175,117
Housing	903,515	-	903,515	786,122
Total program services	<u>1,948,532</u>	<u>-</u>	<u>1,948,532</u>	<u>1,673,203</u>
Supporting services:				
Management and general	418,545	-	418,545	261,452
Fundraising	49,839	-	49,839	38,378
Total supporting services	<u>468,384</u>	<u>-</u>	<u>468,384</u>	<u>299,830</u>
 Total expenses	<u>2,416,916</u>	<u>-</u>	<u>2,416,916</u>	<u>1,973,033</u>
 Change in net assets	239,570	(24,859)	214,711	195,637
 NET ASSETS, beginning of year	<u>2,994,450</u>	<u>151,692</u>	<u>3,146,142</u>	<u>2,950,505</u>
 NET ASSETS, end of year	<u><u>\$ 3,234,020</u></u>	<u><u>\$ 126,833</u></u>	<u><u>\$ 3,360,853</u></u>	<u><u>\$ 3,146,142</u></u>

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, 2020
(With Summarized Financial Information for 2019)

	2020								
	PROGRAM SERVICES				SUPPORTING SERVICES			Total	Total
	Day and Night Shelter	Thrift Shop Program	Housing	Total	Management and General	Fundraising	Total	2020	2019
Salaries	\$ 561,967	38,590	489,125	\$ 1,089,682	\$ 208,248	32,329	\$ 240,577	\$ 1,330,259	\$ 1,049,957
Payroll taxes and benefits	74,899	3,955	52,863	131,717	42,863	3,081	45,944	177,661	168,348
Total payroll related costs	636,866	42,545	541,988	1,221,399	251,111	35,410	286,521	1,507,920	1,218,305
Occupancy	33,898	11,984	86,778	132,660	2,791	-	2,791	135,451	115,369
Guest support	11,014	287	92,706	104,007	-	-	-	104,007	78,626
Insurance	-	-	-	-	86,172	-	86,172	86,172	48,505
Supplies	57,292	-	6,365	63,657	-	5,408	5,408	69,065	56,195
Repairs and maintenance	47,008	7,743	9,874	64,625	2,267	-	2,267	66,892	33,742
Rent	2,750	40,500	16,800	60,050	-	-	-	60,050	109,925
Miscellaneous	6,617	1,263	32,736	40,616	12,930	2,711	15,641	56,257	12,489
Professional fees	20,085	92	13,893	34,070	29,931	6,310	36,241	70,311	50,641
Telephone	25,160	947	21,195	47,302	602	-	602	47,904	36,846
Office expense and supplies	5,157	157	2,155	7,469	21,832	-	21,832	29,301	29,741
Casual labor	3,324	6,461	16,715	26,500	-	-	-	26,500	20,672
Interest expense	3,602	-	20,966	24,568	-	-	-	24,568	23,612
Travel	7,022	-	7,929	14,951	2,618	-	2,618	17,569	10,485
Vehicle expense	4,106	-	-	4,106	-	-	-	4,106	18,799
Bank and credit card fees	-	2,311	2	2,313	1,092	-	1,092	3,405	6,196
Staff development	-	-	-	-	3,022	-	3,022	3,022	8,094
Total expenses before depreciation	863,901	114,290	870,102	1,848,293	414,368	49,839	464,207	2,312,500	1,878,242
Depreciation	65,782	1,044	33,413	100,239	4,177	-	4,177	104,416	94,791
Total expenses	<u>\$ 929,683</u>	<u>\$ 115,334</u>	<u>\$ 903,515</u>	<u>\$ 1,948,532</u>	<u>\$ 418,545</u>	<u>\$ 49,839</u>	<u>\$ 468,384</u>	<u>\$ 2,416,916</u>	<u>\$ 1,973,033</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, 2020

(With Summarized Financial Information for 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 214,711	\$ 195,637
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	104,416	94,791
Changes in operating assets and liabilities:		
Grants receivable	(265,043)	7,666
Prepaid expenses	8,135	(16,004)
Accounts payable	(3,059)	(62,506)
Accrued expenses	28,829	11,251
Security deposits	(6,104)	14,567
Deferred revenue	219,232	(78,947)
Net cash provided by operating activities	<u>301,117</u>	<u>166,455</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash outlay for property and equipment	<u>(171,684)</u>	<u>(451,147)</u>
Net cash used in investing activities	<u>(171,684)</u>	<u>(451,147)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	375,700	-
Repayment of long-term debt	<u>(82,528)</u>	<u>(20,451)</u>
Net cash provided by (used) in financing activities	<u>293,172</u>	<u>(20,451)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 422,605	 (305,143)
 CASH AND CASH EQUIVALENTS, beginning of year	 <u>564,960</u>	 <u>870,103</u>
 CASH AND CASH EQUIVALENTS, end of year	 <u><u>\$ 987,565</u></u>	 <u><u>\$ 564,960</u></u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 27,150	\$ 17,809
 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, 2020

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.

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.

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, 2019, from which the summarized information was derived. Certain reclassifications have been made to the 2019 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.

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF 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 totaling \$392,762 as of June 30, 2020 which consist of money market accounts.

PROPERTY AND EQUIPMENT

Property and equipment acquisitions and improvements thereon that individually exceed \$5,000 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.

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, 2020 is subject to examination by the IRS, generally for three years after it has been filed.

METHODS USED FOR ALLOCATION OF EXPENSES AMONG FUNCTIONS

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

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

SUBSEQUENT EVENTS

The Center has performed an evaluation of subsequent events through February 25, 2021, 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
Construction in process	171,684
Buildings and improvements	2,890,935
Furniture and equipment	90,746
Vehicles	154,911
	<hr/> 3,776,400
Less: accumulated depreciation	556,474
	<hr/> <u>\$ 3,219,926</u>

Depreciation expense for the year ended June 30, 2020 was \$104,416.

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, 2020.

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - LONG-TERM DEBT

A summary of long-term debt follows:

Equity Trust, Inc. mortgage, due December 2021, annual principal payments of \$69,000 and monthly interest on the unpaid balance at 5.0%	\$ 124,125
Eastern Savings Bank mortgage, due September 2028, monthly payments of \$860 including principal and interest at 4.75%	65,040
Equity Trust, Inc. mortgage, due May 2024, monthly payments of \$664 including principal and interest at 5.0%	56,826
Equity Trust, Inc. mortgage, due July 2021, monthly payments of \$395 including principal and interest at 5.0%	41,433
Liberty Bank mortgage, due December 2035, monthly payments of \$1,090 including principal and interest at 4.59%	144,217
Equity Trust, Inc. mortgage, due May 2025, monthly payments of \$2,529 including principal and interest at 5.0%	132,219
SBA Paycheck Protection Program (PPP) loan, due April 2022, monthly payments of \$13,602 including principal and interest at 1.0% starting in August 2021 if not forgiven	241,700
	<u>805,560</u>
Less: current maturities	101,976
	<u>\$ 703,584</u>

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

Year ending June 30:	
2021	\$ 101,976
2022	367,263
2023	33,314
2024	34,966
2025	107,969
2026 and thereafter	160,072
	<u>\$ 805,560</u>

Interest expense on long term debt was \$24,568 for the year ended June 30, 2020.

The PPP loan may be used for certain payroll and related costs as well as rent, utilities, and interest payments on debt. The SBA may provide forgiveness of principal and accrued interest under the loan agreement if the loan is used for the costs mentioned above. The Center believes they have spent the loan within the terms of the agreement, but no forgiveness has been applied for or granted as of June 30, 2020.

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the 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	\$ 987,565
Grants receivable	302,742
	<u>1,290,307</u>
Less those unavailable for general expenditures within one year, due to:	
Security deposits	17,363
Client custodial accounts	22,616
Contractual or donor-imposed restrictions	126,833
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,123,495</u>

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following at June 30, 2020:

Time-restricted	\$ 83,558
Purpose restricted: Housing program	43,275
	<u>\$ 126,833</u>

Net assets with donor restrictions that were released from donor restrictions during the year ended June 30, 2020 by satisfying the following restrictions:

Time-restricted	\$ 50,134
Purpose restricted: Housing program	8,725
	<u>\$ 58,859</u>

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 \$3,000 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 \$60,050, which includes \$13,500 of donated rent, for the year ended June 30, 2020.

FEDERAL SINGLE AUDIT REPORTS

**FEDERAL 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, 2020, 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 February 25, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of federal findings and questioned costs as items 2020-001 and 2020-002, that we consider to be material weaknesses.

CENTER'S RESPONSE TO FINDINGS

The Center's response to the findings identified in our audit is described in the accompanying schedule of federal findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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 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 & Malaghan, LLC

Groton, Connecticut
February 25, 2021

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

REPORT COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited New London Homeless Hospitality Center, Inc.'s (the Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2020. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of federal findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the Center's major federal 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 audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 federal 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 qualified and unmodified opinions on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

BASIS FOR QUALIFIED OPINION ON SOCIAL SERVICES BLOCK GRANT AND CONTINUUM OF CARE PROGRAM

As described in the accompanying schedule of findings and questioned costs, the Center did not comply with requirements regarding CFDA 93.667 Social Services Block Grant and CFDA 14.267 Continuum of Care Program as described in finding number 2020-003 for Allowable Costs. Compliance with such requirements is necessary, in our opinion, for the Center to comply with the requirements applicable to those programs.

QUALIFIED OPINION ON *SOCIAL SERVICES BLOCK GRANT AND CONTINUUM OF CARE PROGRAM*

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, 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 CFDA 93.667 Social Services Block Grant and CFDA 14.267 Continuum of Care Program for the year ended June 30, 2020.

UNMODIFIED OPINION ON EACH OF THE OTHER MAJOR FEDERAL PROGRAMS

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 its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of federal findings and questioned costs for the year ended June 30, 2020.

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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 federal 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 federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of federal findings and questioned costs as items MW-2020-004 and MW-2020-005, to be material weaknesses.

The Center's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of federal findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

February 25, 2021

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Grantor; Pass-through Grantor; Program Title; Description	Grant Number	Federal CFDA Number	Grant Period Ending	Grant Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Indirect:				
Passed through the State of Connecticut Department of Housing				
Social Services Block Grant				
Independent Living	15DOH0101CD A3	93.667		\$ 113,318
Passed through the State of Connecticut Department of Mental Health and Addiction Services				
Projects for Assistance in Transition from Homelessness (PATH)				
Reliance House, Inc (PATH)		93.15		33,360
Total U.S. Department of Health and Human Services				<u>146,678</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct:				
Continuum of Care		14.267		34,705
Indirect:				
Passed through the State of Connecticut Department of Housing				
Continuum of Care				
Rapid Rehousing	17DOH0901CD	14.267		102,120
Rapid Rehousing	20DOH0901CD	14.267		29,767
Passed through the State of Connecticut Department of Mental Health and Addiction Services				
Continuum of Care				
Supportive Housing Case Management	18MHA2092	14.267		47,395
Passed through the Connecticut Coalition Against Domestic Violence, Inc. (CCADV)				
Continuum of Care				
Domestic Violence and Human Trafficking Rapid Rehousing	19DOH0901FJ	14.267		30,000
Passed through the Town of Stonington, Connecticut				
Community Development Block Grant		14.228		77,178
Passed through the City of New London, Connecticut				
Community Development Block Grant		14.228		7,000
Total U.S. Department of Housing and Urban Development				<u>328,165</u>
U.S. DEPARTMENT OF TREASURY				
Indirect:				
Passed through the State of Connecticut Department of Housing				
COVID-19 Coronavirus Relief Funding				
Thames Valley Council for Community Action, Inc.	20DOH1001CX	21.019		97,615
COVID-19 Coronavirus Relief Funding				
Coronavirus Isolation Site	12060/DOH46920/29561	21.019		65,000
Total U.S. Department of Treasury				<u>162,615</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Indirect:				
Passed through the United Way of Southeastern Connecticut				
Emergency Food and Shelter National Board Program		97.024		65,500
Total U.S. Department of Homeland Security				<u>65,500</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS				
Direct:				
VA Homeless Providers Grant and Per Diem Program		64.024		119,194
Total U.S. Department of Veterans Affairs				<u>119,194</u>
U.S. DEPARTMENT OF AGRICULTURE				
Indirect:				
Passed through the State of Connecticut Department of Social Services				
SNAP Employment and Training		10.561		8,000
Total U.S. Department of Agriculture				<u>8,000</u>
Total Federal Awards				<u>\$ 830,152</u>

The accompanying notes are an integral part of this schedule.

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

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 FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of federal awards is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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 grant period.

New London Homeless Hospitality Center, Inc. has not elected to use the 10% de Minimis indirect cost rate.

**SCHEDULE OF FEDERAL FINDINGS
AND QUESTIONED COSTS**

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

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

FEDERAL AWARDS

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: Qualified and Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance
☒ Yes ☐ No

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

CFDA Number	Name of Federal Program	Expenditures	Federal Assistance
93.667	Social Services Block Grant	\$ 113,318	\$ 113,318
14.267	Continuum of Care Program	\$ 243,987	\$ 243,987
21.019	Coronavirus Relief Fund	\$ 162,615	\$ 162,615

Auditee qualified as low-risk auditee?
☐ Yes ☒ No

Dollar threshold used to distinguish between Type A and Type B program: \$750,000

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED JUNE 30, 2020

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

- We issued a report dated February 25, 2021 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 compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting disclosed the following material weaknesses:

2020-001 FINANCIAL STATEMENT ADJUSTMENTS

Criteria: As a requirement of various grantors and oversight agencies, the Center is required to prepare financial statements that are presented in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition: During our audit testing, we noted certain accounts for which adjustments were proposed in order to present them in accordance with GAAP.

Cause: Certain accounts had not been analyzed and adjusted to be consistent with GAAP.

Effect: The Center's financial statements as initially presented were not in conformity with GAAP.

Questioned Costs: N/A

Recommendation: The Center should implement procedures to ensure all accounts are reconciled and analyzed for conformity with GAAP.

Management's Views and Corrective Action Plan: Management agrees with this finding and has outlined its resulting actions in a separately issued Corrective Action Plan.

2020-002 ACCRUED VACATION

Criteria: The Center's current personnel policy manual states that any cumulation of accrued vacation in excess of 100 hours will be forfeited on January 15th of the new calendar year.

Condition: During our audit testing, we noted that five employees who had accrued in excess of 100 hours as of June 30, 2019, did not forfeit any excess on January 15, 2020. These individuals were allowed to use those hours or continue to carry them forward into the current fiscal year.

Cause: The personnel policy manual is not being adhered to with regard to vacation accruals.

Effect: The liability for accrued vacation at year-end is overstated and non-allowable compensated time off is being paid.

Questioned Cost: N/A

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED JUNE 30, 2020

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

2020-002 ACCRUED VACATION (Continued)

Recommendation: The Center should either implement controls to ensure excess vacation hours do not carry forward after January 15th of each year or amend its personnel policy manual.

Management’s Views and Corrective Action Plan: Management agrees with this finding and has outlined its resulting actions in a separately issued Corrective Action Plan.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2020-003 REPORTING ALLOWABLE/ALLOCABLE COSTS

Grantor: U.S. Department of Health and Human Services / U.S Department of Housing and Urban Development

Award Name: Social Services Block Grant / Continuum of Care

Award Year: Various

Award Numbers: 15DOH0101CD A3 / 17DOH0901CD

CFDA Number: 93.667 / 14.267

Criteria: Costs reported and submitted for reimbursement should be based on a cost allocation plan and agree to the underlying accounting records.

Condition: During our audit testing, we noted certain payroll costs included on submitted grant reports did not match what was allocated in the accounting records.

Cause: No individuals at the Center were periodically performing reconciling and other activities which would have served to ensure the cost allocation plan and underlying accounting records were in line and consistent with what was being reported to grantors.

Effect: The amount of payroll costs reported and reimbursed by grantors was in excess of the actual amounts allocated in the cost allocation plan.

Questioned Costs: \$7,440 (CFDA 93.667) and \$18,900 (CFDA 14.267)

Recommendation: The Center should implement controls to ensure all reporting and requests for reimbursements submitted to grantors reconcile with the underlying accounting records as allocated.

Management’s Views and Corrective Action Plan: Management agrees with this finding and has outlined its resulting actions in a separately issued Corrective Action Plan.

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED JUNE 30, 2020

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
(Continued)

2020-004 INTERNAL CONTROLS OVER ALLOWABLE COSTS

Grantor: Various

Award Name: Various

Award Year: Various

Award Numbers: Various

CFDA Number: Various

Criteria: Title 2, Chapter 2, part 200 of the Code of Federal Regulations (2 CFR Part 200) establishes cost principles for determining costs applicable to federal awards with nonprofit organizations. An important method of adhering to these cost principles and ensuring allowable and allocable costs are charged to federal programs is through the use of a cost allocation plan. As important as the plan is, internal controls over the cost allocation plan are just as necessary. Nonprofit organizations must maintain internal controls over the allocation of costs to ensure costs are not over or under allocated, consistency across programs, and that they are traceable back to the accounting records themselves.

Condition: During our audit procedures, we noted that although the Center maintains a cost allocation plan, there were no internal controls in place to ensure the plan was achieving the requirements referenced in the previous paragraph. The cost allocation plan was effectively existing and operating independently from the underlying accounting records.

Cause: No individuals at the Center were periodically performing reconciling and other activities which would have served to ensure the cost allocation plan and underlying accounting records were in line and consistent.

Effect: The Center incurs the risk of allocating disallowed costs to federal programs contrary to Federal Regulations.

Questioned Costs: None noted.

Recommendation: The Center should implement internal controls (periodic reconciliations, etc.) to ensure accuracy and consistency in allocations.

Management's Views and Corrective Action Plan: Management agrees with this finding and has outlined its resulting actions in a separately issued Corrective Action Plan.

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED JUNE 30, 2020

2020-005 INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE.

Grantor: Various

Award Name: Various

Award Year: Various

Award Numbers: Various

CFDA Number: Various

Criteria: Non-profit organizations and other entities receiving federal and state assistance must have a process for identifying and tracking the source of such funds in order to adhere to the audit requirements of the Uniform Guidance and the Connecticut State Single Audit Act. To know when the respective audit requirements are effective, the organization must have the ability to prepare a schedule of expenditures of federal awards and a schedule of expenditures of state financial assistance at year end. These schedules must include all direct funding from the federal and state government as well as such funding passed through other agencies (indirect funding).

Condition: During our audit procedures, we noted that aside from recording all receipts of grant funding, in a single revenue account, the Center cannot generate the required schedules of expenditures of these funds to determine if the Federal Single Audit threshold of \$750,000 or State Single Audit threshold of \$300,000 have been met. Furthermore, specific identification numbers (CFDA or CORE-CT) for each grant were not readily retrievable to identify and group major programs.

Cause: No individuals at the Center were identifying and classifying the various grants received beyond their initial deposit.

Effect: The Center does not currently have the ability to prepare separate schedules of expenditures of federal awards and expenditures of state financial assistance, and therefore, cannot identify if the requirement for a Federal Single Audit or State Single Audit has been met.

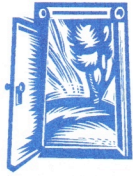
Questioned Costs: None noted.

Recommendation: The Center should implement internal controls to ensure all grant assistance is adequately identified and the expenditures thereof tracked to be sure Federal and State Single Audits are performed when required.

Management's Views and Corrective Action Plan: Management agrees with this finding and has outlined its resulting actions in a separately issued Corrective Action Plan.

**NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
SCHEDULE OF THE STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

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



NEW LONDON Homeless Hospitality Center

Administrative Office
730 State Pier Road
Post Office Box 1651
New London, CT 06320

Program Office
325 Huntington Street
New London, CT 06320

www.NLHHC.org
(860) 439-1573

CORRECTIVE ACTION PLAN

February 25, 2021

Federal Audit Clearinghouse
1201 East 10th Street
Jeffersonville, Indiana 47132

The New London Homeless Hospitality Center, Inc. (the Center) respectfully submits the following Corrective Action Plan for the year ended June 30, 2020.

Hoyt, Filippetti & Malaghan, LLC
1041 Poquonnock Road
Groton, Connecticut 06340

Audit Period: Year ended June 30, 2020

The findings from the June 30, 2020 Schedule of Federal Findings and Questioned Costs are discussed below. The finding is numbered consistently with the number assigned in the schedule.

MATERIAL WEAKNESS – 2020-001 – FINANCIAL STATEMENT ADJUSTMENTS

Criteria: As a requirement of various grantors and oversight agencies, the Center is required to prepare financial statements that are presented in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition: During our audit testing, we noted certain accounts for which adjustments were proposed in order to present them in accordance with GAAP.

Cause: Certain accounts had not been analyzed and adjusted to be consistent with GAAP.

Effect: The Center's financial statements as initially presented were not in conformity with GAAP.

Questioned Costs: N/A

Recommendation: The Center should implement procedures to ensure all accounts are reconciled and analyzed for conformity with GAAP.

Planned Corrective Action: We have made progress in upgrading our accounting expertise by retaining an outside accounting consultant. We will increase our investment in this area in order to provide complete GAAP compliant financial statements for audit review for the 2020-21 fiscal year.

MATERIAL WEAKNESS - 2020-002 - ACCRUED VACATION

Criteria: The Center's current personnel policy manual states that any cumulation of accrued vacation in excess of 100 hours will be forfeited on January 15th of the new calendar year.

Condition: During our audit testing, we noted that five employees who had accrued in excess of 100 hours as of June 30, 2019, did not forfeit any excess on January 15, 2020. These individuals were allowed to use those hours or continue to carry them forward into the current fiscal year.

MATERIAL WEAKNESS - 2020-002 - ACCRUED VACATION (Continued)

Cause: The personnel policy manual is not being adhered to with regard to vacation accruals.

Effect: The liability for accrued vacation at year-end is overstated and non-allowable compensated time off is being paid.

Questioned Cost: N/A

Recommendation: The Center should either implement controls to ensure excess vacation hours do not carry forward after January 15th of each year or amend its personnel policy manual.

Planned Corrective Action: Our current plan did not provide enough flexibility especially with the onset of the Covid crisis. We understand, however, that it is important to operate in accordance with our policies. We will submit modifications to make our policy better fit our needs to our board for review by the end of the 2020-21 fiscal year.

MATERIAL WEAKNESS - 2020-003 - REPORTING ALLOWABLE/ALLOCABLE COSTS

Grantor: U.S. Department of Health and Human Services / U.S Department of Housing and Urban Development

Award Name: Social Services Block Grant / Continuum of Care

Award Year: Various

Award Numbers: 15DOH0101CD A3 / 17DOH0901CD

CFDA Number: 93.667 / 14.267

Criteria: Costs reported and submitted for reimbursement should be based on a cost allocation plan and agree to the underlying accounting records.

Condition: During our audit testing, we noted certain payroll costs included on submitted grant reports did not match what was allocated in the accounting records.

Cause: No individuals at the Center were periodically performing reconciling and other activities which would have served to ensure the cost allocation plan and underlying accounting records were in line and consistent with what was being reported to grantors.

Effect: The amount of payroll costs reported and reimbursed by grantors was in excess of the actual amounts allocated in the cost allocation plan.

Questioned Costs: \$7,440 (CFDA 93.667) and \$18,900 (CFDA 14.267)

Recommendation: The Center should implement controls to ensure all reporting and requests for reimbursements submitted to grantors reconcile with the underlying accounting records as allocated.

Planned Corrective Action: As our contracting has become more complex, we have not devoted sufficient attention to our cost allocation plan. The onset of new funding sources and staffing changes that came with the onset of the Covid crisis were not fully reflect in our cost allocation plan. Our total spending on eligible expenses related to the activities funded in both contracts above exceeded the contract amount but we failed to update our approved budgets and cost allocation plan to reflect personnel changes from our original plan. We have implemented a quarterly review of actual costs per grant in comparison to our cost allocation plan and approved budgets so we can make timely adjustments to our plan and/or request appropriate budget amendments.

MATERIAL WEAKNESS - 2020-004 INTERNAL CONTROLS OVER ALLOWABLE COSTS

Grantor: Various

Award Name: Various

Award Year: Various

Award Numbers: Various

CFDA Number: Various

Criteria: Title 2, Chapter 2, part 200 of the Code of Federal Regulations (2 CFR Part 200) establishes cost principles for determining costs applicable to federal awards with nonprofit organizations. An important method of adhering to these cost principles and ensuring allowable and allocable costs are charged to federal programs is through the use of a cost allocation plan. As important as the plan is, internal controls over the cost allocation plan are just as necessary. Nonprofit organizations must maintain internal controls over the allocation of costs to ensure costs are not over or under allocated, consistency across programs, and that they are traceable back to the accounting records themselves.

Condition: During our audit procedures, we noted that although the Center maintains a cost allocation plan, there were no internal controls in place to ensure the plan was achieving the requirements referenced in the previous paragraph. The cost allocation plan was effectively existing and operating independently from the underlying accounting records.

Cause: No individuals at the Center were periodically performing reconciling and other activities which would have served to ensure the cost allocation plan and underlying accounting records were in line and consistent.

Effect: The Center incurs the risk of allocating disallowed costs to federal programs contrary to Federal Regulations.

Questioned Costs: None noted.

Recommendation: The Center should implement internal controls (periodic reconciliations, etc.) to ensure accuracy and consistency in allocations.

Planned Corrective Action: As indicated in the response above, we have implemented a quarterly review of actual costs per grant in comparison to our cost allocation plan and approved budgets so we can make timely adjustments to our plan and/or request appropriate budget amendments. We will also assure that we reconcile amounts charged to grants to our accounting records on a quarterly basis.

**MATERIAL WEAKNESS - 2020-005 - INTERNAL CONTROLS OVER THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND THE SCHEDULE OF
EXPENDITURES OF STATE FINANCIAL ASSISTANCE.**

Grantor: Various

Award Name: Various

Award Year: Various

Award Numbers: Various

CFDA Number: Various

Criteria: Non-profit organizations and other entities receiving federal and state assistance must have a process for identifying and tracking the source of such funds in order to adhere to the audit requirements of the Uniform Guidance and the Connecticut State Single Audit Act. To know when the respective audit requirements are effective, the organization must have the ability to prepare a schedule of expenditures of federal awards and a schedule of expenditures of state financial assistance at year end. These schedules must include all direct funding from the federal and state government as well as such funding passed through other agencies (indirect funding).

Condition: During our audit procedures, we noted that aside from recording all receipts of grant funding, in a single revenue account, the Center cannot generate the required schedules of expenditures of these funds to determine if the Federal Single Audit threshold of \$750,000 or State Single Audit threshold of \$300,000 have been met. Furthermore, specific identification numbers (CFDA or CORE-CT) for each grant were not readily retrievable to identify and group major programs.

Cause: No individuals at the Center were identifying and classifying the various grants received beyond their initial deposit.

Effect: The Center does not currently have the ability to prepare separate schedules of expenditures of federal awards and expenditures of state financial assistance, and therefore, cannot identify if the requirement for a Federal Single Audit or State Single Audit has been met.

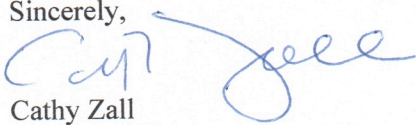
Questioned Costs: None noted.

Recommendation: The Center should implement internal controls to ensure all grant assistance is adequately identified and the expenditures thereof tracked to be sure Federal and State Single Audits are performed when required.

Planned Corrective Action: We track contracts by the agency awarding the contract. We have not historically, however, looked behind a contract awarded by DOH to determine the specific federal and/or state sources of that funding. Moving forward, however, we will track that information and provide the required breakdown for our next audit cycle.

If you have questions regarding this plan, please call Cathy Zall at 860-439-1573.

Sincerely,


Cathy Zall
Executive Director