

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

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2023**

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

 **HOYT
FILIPPETTI &
MALAGHAN LLC**

CERTIFIED PUBLIC ACCOUNTANTS

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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

Opinion

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New London Homeless Hospitality Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about New London Homeless Hospitality Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary 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 and schedule of expenditures of state financial assistance, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State Single Audit Act*, respectively, are presented for purposes of additional analysis and are 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.

Report on Summarized Comparative Information

We have previously audited The Center's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2024, on our consideration of The Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The 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 & Malaghan, LLC

Groton, Connecticut
March 4, 2024

FINANCIAL STATEMENTS

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(With Summarized Financial Information for 2022)

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,160,735	\$ 1,316,405
Contract receivables	665,467	418,225
Prepaid expenses	66,596	54,624
Total current assets	1,892,798	1,789,254
PROPERTY AND EQUIPMENT, net	4,043,677	3,639,672
Total assets	\$ 5,936,475	\$ 5,428,926

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 107,349	\$ 105,531
Accounts payable	10,695	21,721
Deferred revenue	161,065	143,000
Accrued expenses	224,277	132,014
Client custodial accounts	59,120	34,902
Security deposits	43,132	40,765
Total current liabilities	605,638	477,933
OTHER LIABILITIES		
Long-term debt, less current maturities	298,849	336,504
Total other liabilities	298,849	336,504
Total liabilities	904,487	814,437
NET ASSETS		
Without donor restriction:		
Undesignated	1,375,559	1,409,039
Designated as investment in property and equipment, net of related debt	3,637,479	3,197,637
Total net assets without donor restrictions	5,013,038	4,606,676
With donor restrictions	18,950	7,813
Total net assets	5,031,988	4,614,489
Total liabilities and net assets	\$ 5,936,475	\$ 5,428,926

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, 2023
(With Summarized Financial Information for 2022)**

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
REVENUES				
Federal and state contracts	\$ 3,340,727	\$ -	\$ 3,340,727	\$ 2,532,192
Private foundation grants and contributions	816,219	12,500	828,719	1,079,314
Housing program rent	262,693	-	262,693	297,935
Other income	57,305	-	57,305	33,893
Net assets released from restrictions	1,363	(1,363)	-	-
	<u>4,478,307</u>	<u>11,137</u>	<u>4,489,444</u>	<u>3,943,334</u>
EXPENSES				
Program services:				
Day and night shelter	1,541,724	-	1,541,724	1,201,116
Housing	1,864,882	-	1,864,882	1,863,784
Total program services	<u>3,406,606</u>	<u>-</u>	<u>3,406,606</u>	<u>3,064,900</u>
Supporting services:				
Management and general	590,437	-	590,437	589,061
Fundraising	74,902	-	74,902	56,821
Total supporting services	<u>665,339</u>	<u>-</u>	<u>665,339</u>	<u>645,882</u>
Total expenses	<u>4,071,945</u>	<u>-</u>	<u>4,071,945</u>	<u>3,710,782</u>
Change in net assets	406,362	11,137	417,499	232,552
NET ASSETS, beginning of year	<u>4,606,676</u>	<u>7,813</u>	<u>4,614,489</u>	<u>4,381,937</u>
NET ASSETS, end of year	<u>\$ 5,013,038</u>	<u>\$ 18,950</u>	<u>\$ 5,031,988</u>	<u>\$ 4,614,489</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, 2023
(With Summarized Financial Information for 2022)

	2023							
	PROGRAM SERVICES			SUPPORTING SERVICES			Total 2023	Total 2022
	Day and Night Shelter	Housing	Total	Management and General	Fundraising	Total		
Salaries	\$ 944,781	1,193,081	\$ 2,137,862	\$ 230,212	61,837	\$ 292,049	\$ 2,429,911	\$ 2,229,237
Payroll taxes and benefits	97,441	106,862	204,303	58,746	5,341	64,087	268,390	294,390
Total payroll related costs	1,042,222	1,299,943	2,342,165	288,958	67,178	356,136	2,698,301	2,523,627
Occupancy	41,431	95,941	137,372	8,160	-	8,160	145,532	158,577
Guest support	68,998	167,954	236,952	-	-	-	236,952	147,495
Professional fees	19,264	50,419	69,683	81,927	-	81,927	151,610	156,942
Repairs and maintenance	144,699	71,191	215,890	28,218	-	28,218	244,108	205,696
Technology	4,604	4,993	9,597	77,231	-	77,231	86,828	-
Supplies	43,264	12,085	55,349	16,314	1,626	17,940	73,289	59,660
Insurance	36,326	34,455	70,781	5,293	-	5,293	76,074	78,429
Casual labor	10,017	7,047	17,064	-	-	-	17,064	18,011
Telephone	8,437	22,596	31,033	23,688	-	23,688	54,721	51,433
Housing rent	21,600	-	21,600	-	-	-	21,600	61,380
Interest expense	2,455	12,560	15,015	5,951	-	5,951	20,966	30,306
Travel	9,649	34,932	44,581	3,209	-	3,209	47,790	44,923
Miscellaneous	2,043	4,613	6,656	23,045	644	23,689	30,345	26,345
Office expense and supplies	3,248	4,340	7,588	10,420	5,454	15,874	23,462	17,450
Staff development	4,312	2,253	6,565	11,805	-	11,805	18,370	14,931
Bank and credit card fees	35	-	35	1,273	-	1,273	1,308	707
Total expenses before depreciation	1,462,604	1,825,322	3,287,926	585,492	74,902	660,394	3,948,320	3,595,912
Depreciation	79,120	39,560	118,680	4,945	-	4,945	123,625	114,870
Total expenses	<u>\$ 1,541,724</u>	<u>\$ 1,864,882</u>	<u>\$ 3,406,606</u>	<u>\$ 590,437</u>	<u>\$ 74,902</u>	<u>\$ 665,339</u>	<u>\$ 4,071,945</u>	<u>\$ 3,710,782</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, 2023
(With Summarized Financial Information for 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 417,499	\$ 232,552
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	123,625	114,870
Changes in operating assets and liabilities:		
Contract receivables	(247,242)	(15,791)
Prepaid expenses	(11,972)	1,044
Accounts payable	(11,026)	(21,456)
Accrued expenses	92,263	17,251
Security deposits	2,367	1,600
Client custodial accounts	24,218	12,637
Deferred revenue	18,065	(153,596)
Net cash provided by operating activities	407,797	189,111
 CASH FLOWS FROM INVESTING ACTIVITIES		
Cash outlay for property and equipment	(527,630)	(133,052)
Net cash used in investing activities	(527,630)	(133,052)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(35,837)	(183,673)
Net cash used in financing activities	(35,837)	(183,673)
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(155,670)	(127,614)
 CASH AND CASH EQUIVALENTS, beginning of year	1,316,405	1,444,019
 CASH AND CASH EQUIVALENTS, end of year	\$ 1,160,735	\$ 1,316,405
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 20,966	\$ 30,306

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

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 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, 2022, from which the summarized information was derived. Certain reclassifications have been made to the 2022 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, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE AND REVENUE RECOGNITION

Federal and State Contracts

A portion of the Center's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Private Foundation Grants and 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.

Housing Program Rent

A portion of the Center's revenue is derived from housing program rent at various properties owned by the Center. The Center reports the housing program rent from tenants on a monthly basis.

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, 2023

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 \$405,423 as of June 30, 2023 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.

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, 2023 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, insurance, 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.

SUBSEQUENT EVENTS

The Center has performed an evaluation of subsequent events through March 4, 2024, which is the date the financial statements were available to be issued. There were no subsequent events that require additional disclosure.

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 contract receivables. The Center places its cash deposits in high quality financial institutions and such deposits may at times exceed federal depository insurance limits. Contract receivables consist primarily of amounts due under agreements with state and federal agencies. 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	\$	793,709
Construction in progress		173,084
Buildings and improvements		3,634,549
Furniture and equipment		114,172
Vehicles		224,251
		4,939,765
Less: accumulated depreciation		896,088
		\$ 4,043,677

Depreciation expense for the year ended June 30, 2023 was \$123,625.

NOTE 4 - CONTRACT BALANCES

Contract receivables and deferred revenue were as follows as of June 30, 2023 and 2022.

	2023	2022
Contract receivables	\$ 665,467	\$ 418,225
Allowance for doubtful accounts	-	-
Contract receivables, net	\$ 665,467	\$ 418,225
 Deferred revenue	 \$ 161,065	 \$ 143,000

Deferred grant revenue will be recognized in the subsequent year as program services are rendered.

NOTE 5 - 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, 2023.

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 - LONG-TERM DEBT

A summary of long-term debt follows:

Equity Trust, Inc. mortgage, due on demand, principal and monthly interest on the unpaid balance at 5.0%	\$ 69,191
Eastern Savings Bank mortgage, due September 2028, monthly payments of \$860 including principal and interest at 5.66%	42,703
Equity Trust, Inc. mortgage, due May 2024, monthly payments of \$664 including principal and interest at 5.0%	40,259
Equity Trust, Inc. mortgage, due July 2026, monthly payments of \$395 including principal and interest at 5.60%	32,801
Liberty Bank mortgage, due December 2035, monthly payments of \$1,090 including principal and interest at 4.59%	123,759
Equity Trust, Inc. mortgage, due May 2025, monthly payments of \$2,529 including principal and interest at 5.0%	97,485
	<u>406,198</u>
Less: current maturities	107,349
	<u>\$ 298,849</u>

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

Year ending June 30:	
2024	\$ 107,349
2025	111,323
2026	27,925
2027	29,293
2028	26,357
2029 and thereafter	103,951
	<u>\$ 406,198</u>

Interest expense on long term debt was \$20,966 for the year ended June 30, 2023.

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 - 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	\$ 1,160,735
Contract receivables	665,467
	1,826,202
Less those unavailable for general expenditures within one year, due to:	
Security deposits	43,132
Client custodial accounts	59,120
Contractual or donor-imposed restrictions	18,950
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,705,000

NOTE 8 - DISAGGREGATION OF REVENUE

The following table disaggregates the Center's revenues for the year ended June 30, 2023:

Revenue from contracts with customers:	
Satisfied over time:	
Housing program rent	\$ 262,693
Federal and state contracts	3,340,727
Total revenue from contracts with customers	\$ 3,603,420
Other support and revenue:	
Private foundation grants and contributions	\$ 828,719
Other income	57,305
Total other support and revenue	\$ 886,024
Total Revenue and support	\$ 4,489,444

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following at June 30, 2023:

Purpose restricted: Guests with pets	\$ 18,950
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Net assets with donor restrictions that were released from donor restrictions during the year ended June 30, 2023 by satisfying the following restrictions:

Purpose restricted: Guests with pets	\$ 1,363
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NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 - OPERATING LEASES

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

Rent expense under all these arrangements totaled \$21,600 for the year ended June 30, 2023.

NOTE 11 - CONTINGENCIES

The Center participates in various federal and state grant programs. These programs are subject to program compliance audits pursuant to the Federal and State Single Audit Acts. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Center anticipates the amounts, if any, to be immaterial.

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, 2023, 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 March 4, 2024.

REPORT ON 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 a material weakness, 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 or significant deficiencies may exist that were not identified.

REPORT ON 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 & Malashan, LLC

Groton, Connecticut
March 4, 2024

**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

Qualified Opinion

We have audited the New London Homeless Hospitality Center, Inc. (the Center)'s compliance with the types of compliance requirements identified as subject to audit 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, 2023. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Emergency Solutions Grants (Assistance Listing 14.231), Community Development Block Grant (Assistance Listing 14.228), and Continuum of Care (Assistance Listing 14.267)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions section of our report, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the *Emergency Solutions Grants (Assistance Listing 14.231), Community Development Block Grant (Assistance Listing 14.228), and Continuum of Care (Assistance Listing 14.267)* for the year ended June 30, 2023.

Basis for Qualified Opinion

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

Basis for Qualified Opinion (Continued)

Matter Giving Rise to Qualified Opinion on Emergency Solutions Grants (Assistance Listing 14.231), Community Development Block Grant (Assistance Listing 14.228), and Continuum of Care (Assistance Listing 14.267)

As described in the accompanying schedule of findings and questioned costs, The Center did not comply with requirements regarding Emergency Solutions Grants (Assistance Listing 14.231), Community Development Block Grant (Assistance Listing 14.228) and Continuum of Care (Assistance Listing 14.267) as described in finding number 2023-003 for Allowable Costs.

Compliance with such requirements is necessary, in our opinion, for the Center to comply with the requirements applicable to those programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Center's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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 findings and questioned costs as item 2023-004 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hoyt, Filippetti & Malachuk, LLC

Groton, Connecticut
March 4, 2024

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Grantor; Pass-through Grantor; Program Title; Description	Pass-Through Entity Identifying Number	Assistance Listing Number	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	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)		93.150	33,360
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Indirect:			
Passed through the State of Connecticut Department of Housing Continuum of Care Rapid Rehousing	20DOH0911CD	14.267	191,450
Passed through the State of Connecticut Department of Mental Health and Addiction Services Continuum of Care Supportive Housing Case Management	21MHA2092	14.267	38,580
Passed through the Connecticut Coalition Against Domestic Violence, Inc. (CCADV) Continuum of Care Domestic Violence and Human Trafficking Rapid Rehousing	21DOH0901FJ	14.267	35,162
Passed through the City of New London, Connecticut Community Development Block Grant		14.228	9,410
Passed through United Way of Southeastern Connecticut Community Development Block Grant Point in Time Funds		14.228 14.267	133,606 213
Coordinated Access Network - Shared Housing	20DOH1001DA	14.231	3,136
Coordinated Access Network - Housing Location		14.231	15,560
Passed through Thames Valley Council for Community Action, Inc. 1,000 Homes Cares - Emergency Solutions Grant	20DOH0901CX	14.231	4,162
EHV Supplement	22DOH1001CX	14.871	30,178
Facilities Supplement	21DOH1011CX	14.231	56,173
Coordinated Access Network - Cold Weather	20DOH1011CX	14.231	487,189
U.S. DEPARTMENT OF JUSTICE			
Passed through Safe Futures, Inc. Transitional Housing Assistance Grants		16.736	1,800
U.S. DEPARTMENT OF TREASURY			
Indirect:			
Passed through the State of Connecticut Department of Housing Emergency Rental Payments	21DOH0501CD	21.023	61,000
Passed through the State of Connecticut Department of Mental Health and Addiction Services ARPA DHMAS - Private Providers		21.027	7,538
ARPA DHMAS - Facility Improvements		21.027	4,315
Passed through the Connecticut Housing Finance Authority Homeowner Assistance Fund - MyHome CT		21.026	179,505
Passed through the City of New London, Connecticut Support to Renters and Homeowners in Preventing Homelessness		21.027	252,682
Intensive Health Care Support to Individuals Experiencing Homelessness		21.027	33,457
U.S. DEPARTMENT OF HOMELAND SECURITY			
Indirect:			
Passed through the United Way of Southeastern Connecticut Emergency Food and Shelter National Board Program (EFSP ARPA)		97.024	62,435
Passed through United Way of Connecticut Emergency Food and Shelter National Board Program (EFSP Phase 39)		97.024	46,000
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Direct:			
VA Homeless Providers Grant and Per Diem Program		64.024	248,819
U.S. DEPARTMENT OF AGRICULTURE			
Indirect:			
Passed through the State of Connecticut Department of Social Services SNAP Employment and Training		10.561	44,550
Total Expenditures of Federal Awards			<u>\$ 2,093,598</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, 2023

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 elected to use the 10% de Minimis indirect cost rate on select federal awards.

**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, 2023**

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

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:

Assistance Listing Number	Name of Federal Program	Expenditures	Federal Assistance
14.231	Emergency Solutions Grants	\$ 566,220	\$ 566,220
14.228	Community Development Block Grant	\$ 143,016	\$ 143,016
14.267	Continuum of Care	\$ 265,405	\$ 265,405

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, 2023

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

- We issued a report dated March 4, 2024 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 no material weaknesses.

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED JUNE 30, 2023

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2023-003 REPORTING ALLOWABLE/ALLOCABLE COSTS

Grantors: U.S Department of Housing and Urban Development

Award Names: Emergency Solutions Grant /Community Development Block Grant /Continuum of Care

Award Year: Various

Award Numbers: Various

Assistance Listing Numbers: 14.231 / 14.228 / 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 cost allocations included on submitted grant reports did not reconcile directly back to what was allocated in the underlying accounting records (general ledger).

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 allocated costs reported and reimbursed by grantors could not be readily traced back to the underlying accounting records (general ledger).

Questioned Costs: None noted.

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, 2023

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

2023-004 INTERNAL CONTROLS OVER ALLOWABLE COSTS

Grantor: Various

Award Name: Various

Award Year: Various

Award Numbers: Various

Assistance Listing 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 THE STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

The following prior year audit findings have been repeated this year:

2023-003 REPORTING ALLOWABLE/ALLOCABLE COSTS (2020-003)

2023-004 INTERNAL CONTROLS OVER ALLOWABLE COSTS (2020-004)

The following prior year audit findings have been resolved this year:

2022-001 ACCRUED VACATION

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, 2023, 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 March 4, 2024.

REPORT ON 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 a material weakness, 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 or significant deficiencies may exist that were not identified.

REPORT ON 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
March 4, 2024

**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

Qualified Opinion

We have audited the New London Homeless Hospitality Center, Inc. (the Center)'s compliance with the types of compliance requirements identified as subject to audit in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Center's major state programs for the year ended June 30, 2023. The Center's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Emergency Shelter Services, Housing Supports and Services, Discharge and Diversion Services, and Community Investment Account

In our opinion, except for the noncompliance described in the Basis for Qualified opinion section of our report, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Emergency Shelter Services, Housing Supports and Services, Discharge and Diversion Services, and Community Investment Account for the year ended June 30, 2023.

Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Emergency Shelter Services, Housing Supports and Services, Discharge and Diversion Services, and Community Investment Account

As described in the accompanying schedule of findings and questioned costs, the Center did not comply with requirements regarding OPM Cost Allocation Standards as described in finding number 2021-002.

Compliance with such requirements is necessary, in our opinion, for the Center to comply with the requirements applicable to those programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Center's state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-003 to be a material weakness.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other 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
March 4, 2024

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE**

**THE NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2023**

State Grantor/Program Title	State Grant Program Core-CT Number	Grant Expenditures
DEPARTMENT OF HOUSING		
Direct:		
Emergency Shelter Services	11000-DOH46920-16149	\$ 158,662
Emergency Shelter Services	12060-DOH46920-90756	1,379
Indirect:		
Passed through the United Way of Southeastern Connecticut		
New London - Admin	11000-DOH46920-16149	7,500
Community Investment Act	12060-DOH46920-35328	136,000
Total Department of Housing		<u>303,541</u>
DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES		
Direct:		
Housing Supports and Services	11000-MHA53000-12035	199,052
Discharge and Diversion Services	11000-MHA54063-12330	112,388
Total Department of Mental Health and Addiction Services		<u>311,440</u>
Total State Financial Assistance		<u>\$ 614,981</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, 2023**

NOTE A - ACCOUNTING BASIS

BASIC FINANCIAL STATEMENTS

The accounting policies of Southeastern Connecticut Enterprise Region (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 expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

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, 2023**

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: Qualified

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	11000-DOH46920-16149	\$ 158,662
Community Investment Act	12060-DOH46920-35328	136,000
Department of Mental Health and Addiction Services:		
Housing Supports and Services	11000-MHA53000-12035	\$199,052
Discharge and Diversion Services	11000-MHA54063-12330	\$112,388
Dollar threshold used to distinguish between Type A and Type B program:		<u>\$100,000</u>

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023 *(Continued)*

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

- We issued a report dated March 4, 2024 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*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting disclosed no material weaknesses.

NEW LONDON HOMELESS HOSPITALITY CENTER, INC.
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED JUNE 30, 2023

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATING TO STATE
FINANCIAL ASSISTANCE**

2021-002 REPORTING ALLOWABLE/ALLOCABLE COSTS

Grantors: Department of Housing; Department of Mental Health and Addiction Services

Award Names: Emergency Shelter Services, Community Investment Act, Housing Supports and Services, Discharge and Diversion Services

Award Year: Various

Award Numbers: Various

CORE-CT Numbers: 11000-DOH46920-16149 / 12060-DOH46920-3328 / 11000-MHA53000-12035 / 11000-MHA54063-12330

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 cost allocations included on submitted grant reports did not reconcile directly back to what was allocated in the underlying accounting records (general ledger).

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 allocated costs reported and reimbursed by grantors could not be readily traced back to the underlying accounting records (general ledger).

Questioned Costs: None noted.

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 STATE FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED JUNE 30, 2023

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATING TO STATE
FINANCIAL ASSISTANCE *(Continued)***

2021-003 INTERNAL CONTROLS OVER ALLOWABLE COSTS

Grantor: Various

Award Name: Various

Award Year: Various

Award Numbers: Various

CORE-CT Number: Various

Criteria: Connecticut’s Office of Policy and Management (OPM) has established Cost Accounting Standards which include the requirement for grantees to have established a formal 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 state programs contrary to the OPM Cost Accounting Standards.

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.
SUMMARY SCHEDULE OF THE STATUS OF
PRIOR STATE AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

The following prior year audit findings have been repeated this year:

2021-002 REPORTING ALLOWABLE/ALLOCABLE COSTS

2021-003 INTERNAL CONTROLS OVER ALLOWABLE COSTS

The following prior year audit findings have been resolved this year:

2022-001 ACCRUED VACATION