



from homelessness to hope.

**NEW HAVEN HOME RECOVERY, INC.
AND AFFILIATE LIFE HAVEN, INC.**

**COMBINED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2013

NEW HAVEN HOME RECOVERY, INC. AND AFFILIATE LIFE HAVEN, INC.

JUNE 30, 2013

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GUILMARTIN ▪ DIPIRO ▪ SOKOLOWSKI LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
New Haven Home Recovery, Inc. and affiliate Life Haven, Inc.:

Report on the Financial Statements

We have audited the accompanying combined financial statements of New Haven Home Recovery, Inc. and affiliate Life Haven, Inc. (nonprofit organizations), which comprise the combined statement of financial position as of June 30, 2013, and the related combined statements of activities and changes in net assets, 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 combined 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined 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 financial audits contained in *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 auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Haven Home Recovery, Inc. and affiliate Life Haven, Inc. as of June 30, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Guilmartin, DiPiro & Sokolowski LLC

Middletown, Connecticut
October 24, 2013

NEW HAVEN HOME RECOVERY, INC. AND AFFILIATE LIFE HAVEN, INC.
 COMBINED STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2013

ASSETS

| | |
|---|-------------|
| CURRENT ASSETS | |
| Cash and Cash Equivalents | \$1,026,234 |
| Grants and Contracts Receivable | 418,555 |
| Investments | 16,574 |
| Total Current Assets | 1,461,363 |
| PROPERTY AND EQUIPMENT, NET | 5,193,200 |
| OTHER ASSETS | |
| Other Assets | 95,662 |
| Housing Development Costs | 161,742 |
| Mortgage Costs, net | 127,589 |
| Total Other Assets | 384,993 |
| TOTAL ASSETS | \$7,039,556 |
| CURRENT LIABILITIES | |
| Mortgages Payable, Current Portion | \$ 18,099 |
| Accounts Payable and Accrued Expenses | 367,809 |
| Deferred Income | 609,664 |
| Total Current Liabilities | 995,572 |
| NON-CURRENT LIABILITIES | |
| Mortgages Payable, less Current Portion | 582,941 |
| Total Non-Current Liabilities | 582,941 |
| TOTAL LIABILITIES | 1,578,513 |
| NET ASSETS | |
| Unrestricted | 5,358,358 |
| Temporarily Restricted | 102,685 |
| Total Net Assets | 5,461,043 |
| TOTAL LIABILITIES AND NET ASSETS | \$7,039,556 |

See accompanying notes to the combined financial statements.

NEW HAVEN HOME RECOVERY, INC. AND AFFILIATE LIFE HAVEN, INC.
 COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2013

| Changes in Unrestricted Net Assets | |
|--|-------------|
| SUPPORT AND REVENUES | |
| Grants | \$4,018,905 |
| Contributions | 388,092 |
| Special Events, net of expenses of \$18,514 | 138,726 |
| Rental Income | 361,120 |
| Investment Income | 809 |
| Other Support Revenue | 123,487 |
| Net Assets Released from Restrictions | 21,930 |
| Total Support and Revenues | 5,053,069 |
| EXPENSES | |
| Program Services: | |
| Family Stabilization Services | 1,176,230 |
| Martha's Place & CareWays Shelters | 669,326 |
| Supportive Housing | 1,334,034 |
| Life Haven Shelter & Child Enrichment | 923,035 |
| Total Program Services | 4,102,625 |
| Support Services: | |
| General and Administrative | 628,091 |
| Development | 380,689 |
| Total Support Services | 1,008,780 |
| Total Expenses | 5,111,405 |
| Change in unrestricted net assets from operations | (58,336) |
| UNRESTRICTED NET ASSETS, BEGINNING OF YEAR | 5,416,694 |
| UNRESTRICTED NET ASSETS, END OF YEAR | \$5,358,358 |
| Changes in Temporarily Restricted Net Assets | |
| Contributions | \$ 100,000 |
| Restrictions released, contributions | (21,930) |
| Change in temporarily restricted net assets | 78,070 |
| TEMPORARILY RESTRICTED NET ASSETS, BEGINNING OF YEAR | 24,615 |
| TEMPORARILY RESTRICTED NET ASSETS, END OF YEAR | \$ 102,685 |
| TOTAL CHANGE IN NET ASSETS | \$ 19,734 |

See accompanying notes to the combined financial statements.

NEW HAVEN HOME RECOVERY, INC. AND AFFILIATE LIFE HAVEN, INC.
 COMBINED STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2013

| | Program Services | | | | Total Program Services | Support Services | | Total Support Services | Total Expenses |
|--|-------------------------------------|---|--|-----------------------|------------------------------|-------------------------------|------------------|------------------------------|--------------------|
| | Family Stabilization Services | Martha's Place & CareWays Shelters | Life Haven Shelter & Child Enrichment | Supportive Housing | | General and Administrative | Development | | |
| Salaries & Wages | \$574,392 | \$384,238 | \$481,507 | \$375,924 | \$1,816,061 | \$363,644 | \$187,614 | \$551,258 | \$2,367,319 |
| Payroll Taxes & Fringe Benefits | 93,928 | 73,195 | 83,226 | 89,495 | 339,844 | 43,491 | 28,558 | 72,049 | 411,893 |
| Rent | 35,574 | 2,036 | 19,200 | 2,638 | 59,448 | 40,799 | 58,523 | 99,322 | 158,770 |
| Property Taxes | - | - | - | 31,250 | 31,250 | - | 304 | 304 | 31,554 |
| Meetings | 3,485 | 20,057 | 12,084 | 2,457 | 38,083 | 7,897 | 4,496 | 12,393 | 50,476 |
| Utilities | - | 45,785 | 43,208 | 33,286 | 122,279 | 203 | 9,665 | 9,868 | 132,147 |
| Repairs & Maintenance | 542 | 36,090 | 78,625 | 102,743 | 218,000 | 5,784 | 11,490 | 17,274 | 235,274 |
| Travel | 23,387 | 2,060 | 604 | 8,732 | 34,783 | 2,183 | 775 | 2,958 | 37,741 |
| Professional Development | 5,223 | 2,497 | 1,705 | 5,464 | 14,889 | 2,401 | 780 | 3,181 | 18,070 |
| Security | - | - | - | - | - | 2,409 | - | 2,409 | 2,409 |
| Office Expense & Supplies | 10,807 | 22,787 | 38,572 | 80,174 | 152,340 | 36,190 | 29,455 | 65,645 | 217,985 |
| Communications | 8,499 | 6,416 | 8,187 | 7,393 | 30,495 | 5,375 | 3,559 | 8,934 | 39,429 |
| Computer Expenses | 17,683 | 6,225 | 4,388 | 36,905 | 65,201 | 10,748 | 2,448 | 13,196 | 78,397 |
| General Insurance | 2,498 | 17,430 | 17,316 | 37,683 | 74,927 | 1,038 | 4,093 | 5,131 | 80,058 |
| Professional Fees | - | - | 59,601 | 662 | 60,263 | 99,220 | 18,500 | 117,720 | 177,983 |
| Contractual Services | 264,316 | - | - | 85,106 | 349,422 | - | - | - | 349,422 |
| Client Services | 135,896 | 1,656 | 441 | 276,473 | 414,466 | - | 14,456 | 14,456 | 428,922 |
| Interest | - | 8,907 | 1,329 | 15,088 | 25,324 | 2,724 | 2,814 | 5,538 | 30,862 |
| Depreciation and Amortization Expense | - | 39,947 | 5,026 | 142,561 | 187,534 | 3,985 | 3,159 | 7,144 | 194,678 |
| Loss on Write Down of Assets | - | - | 68,016 | - | 68,016 | - | - | - | 68,016 |
| TOTAL | \$1,176,230 | \$669,326 | 923,035 | \$1,334,034 | \$4,102,625 | \$628,091 | \$380,689 | \$1,008,780 | \$5,111,405 |

See accompanying notes to the combined financial statements.

NEW HAVEN HOME RECOVERY, INC. AND AFFILIATE LIFE HAVEN, INC.
 COMBINED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|-----------|
| Change in Net Assets | \$ 19,734 |
| Adjustments to Reconcile Change in Net Assets to Net Cash | |
| Provided by Operating Activities: | |
| Depreciation and Amortization | 194,678 |
| Loss on write down of assets | 68,016 |
| Change in the value of investments | (2,580) |
| (Increase) in Operating Assets: | |
| Grants and Contracts Receivable | (105,797) |
| (Decrease) Increase in Operating Liabilities: | |
| Deferred Revenue | 464,796 |
| Accounts Payable and Accrued Expenses | (89,582) |
| Net Cash Provided by Operating Activities | 549,265 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|----------|
| Purchase of Property and Equipment | (73,177) |
| (Increase) in Housing Development Costs | (20,371) |
| Decrease in Mortgage Costs | 3,145 |
| Decrease in Other Assets | 39,147 |
| Net Cash (Used) by Investing Activities | (51,256) |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|---|----------|
| Loan Proceeds | 50,000 |
| Principal Payments on Debt | (15,895) |
| Net Cash Provided by Financing Activities | 34,105 |

NET INCREASE IN CASH AND CASH EQUIVALENTS 532,114

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 494,120

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 1,026,234

See accompanying notes to the combined financial statements.

NEW HAVEN HOME RECOVERY, INC. AND AFFILIATE LIFE HAVEN, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. NATURE OF ORGANIZATION

It is the mission of New Haven Home Recovery, Inc. (NHHR) and Life Haven, Inc. (LH) (combined as the Organization) to promote the independence of women and children confronted with homelessness, HIV/AIDS and behavioral health issues in a supportive environment where their potential can be realized.

On March 19, 2012 NHHR entered into an integration agreement with Life Haven, Inc. (LH), a 501(c)(3) nonprofit organization located in New Haven. The first phase of the agreement was an executed accounting services contract. The second phase included managing the daily operations of LH. The final phase of the agreement was finalized on August 22, 2012 and resulted in Life Haven, Inc. becoming a wholly controlled affiliate of NHHR.

The following represent programs operated by the Organizations:

Stable Families Program (SFP), Bridgeport: Prevents families from eviction who are living in Bridgeport public housing.

Bridgeport Housing First (BHF): Collaborative program to end chronic homelessness in Bridgeport.

Child Enrichment Center: On-site children's programming at Life Haven, Inc.

Children's Education Partnership (CEP): Provides community outreach on the rights of homeless children mandated under the McKinney Vento Act.

CT Rapid Re-Housing Program (CT-RRP): Rapid re-housing homeless individuals and families through housing supports.

Family School Connection (FSC): In home case management services for families in the Fair Haven K-8 school that decreases tardiness and increases grades for students.

Food Services: Food provided to residents at Life Haven, Inc.

The Furniture Co-Op (TFC): Collects gently used furniture from the public and distributes it to families and individuals in need.

New Haven Healthy Start (NHHS): In collaboration with the Community Foundation for Greater New Haven, identifies homeless and at-risk pregnant women to ensure healthy birth outcomes.

Shelter:

CareWays: 10 units for women with children

Life Haven: 20 units for women with children

Martha's Place: 3 units for women with children and 18 units for single women

Support Services for Veteran Families (SSVF): Provides housing assistance for low-income Veteran families.

Supportive Housing Program (SHP): NHHR provides supportive housing and support services to families addressing a wide range of issues, including HIV/AIDS. SHP also includes 33 units of affordable housing developed by NHHR.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying combined financial statements include the accounts of New Haven Home Recovery, Inc. (NHHR) and Life Haven, Inc. (LH), a wholly controlled affiliate. Intercompany transactions and balances have been eliminated in combination.

NEW HAVEN HOME RECOVERY, INC. AND AFFILIATE LIFE HAVEN, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This summary of significant accounting policies of NHHR and LH is presented to assist in understanding the Organizations' financial statements. The financial statements and notes are the representations of NHHR and LH's management, who are responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

Basis of Presentation

Financial statement presentation follows the accrual method of accounting in accordance with generally accepted accounting principles as accepted in the United States (referred to as GAAP). The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The Organization had 102,685 in temporarily restricted net assets at June 30, 2013. There were no permanently restricted net assets at June 30, 2013.

The financial statements have been prepared on the accrual basis of accounting, whereby income is recognized when it becomes available and measurable, and expenses are recognized when the liability is incurred, if quantifiable.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents, unless subject to donor restrictions that require the investments to be used to purchase property and equipment or to be maintained as an endowment.

Beneficial Interest in Assets Held by Others

The beneficial interest in assets held by others is recognized at fair value with changes recognized as they occur.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Federal and state grant awards are classified as deferred income (refundable advances) until expended for the purpose of the grants since they are conditional promises to give.

Property and Equipment

The Organization records all property and equipment purchased with a cost greater than \$5,000 and a useful life of more than one year as a capital asset. Donated property is capitalized at fair value on the date of donation. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets as follows:

| | |
|-------------------------|---------------|
| Buildings | 30 – 60 Years |
| Furniture and Equipment | 5 – 10 Years |
| Leasehold improvements | 5 – 39 Years |

Expenditures for improvements that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense, as incurred. Depreciation expense for June 30, 2013 was \$191,533.

NEW HAVEN HOME RECOVERY, INC. AND AFFILIATE LIFE HAVEN, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Contracts Receivable

Grants and contracts are generally considered to be exchange transactions in which the grantor or contractor requires the performance of specified activities.

Entitlement to cost reimbursement grants and contracts is based on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant expenditures. Entitlement to performance based grants and contracts is based on the attainment of specific performance goals and, therefore, revenue is recognized to the extent of performance achieved. Grant receipts in excess of revenues recognized are presented as deferred grant revenue in the accompanying combined statements of financial position.

Income Taxes

NHHR and LH are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organizations have been determined by the Internal Revenue Service not to be "private foundations" within the meaning of Section 509(a) of the Internal Revenue Code and qualifies for deductible contributions as provided under Section 170(b)(1)(A)(vi).

The management has reviewed the Organizations' reporting and believe they have not taken tax positions that are more likely than not to be determined to be incorrect by the Internal Revenue Service and therefore no adjustments or disclosures are required.

The Organizations' informational returns for the fiscal years 2010-2012 remain open to inspection by the Internal Revenue Service.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program of supporting service to which they relate and are charged accordingly. Other expenses by function are allocated to components of these services based on allocation factors determined by management and may change from year to year.

Donated Services

The Organization recognizes donated services if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. The amount of such services received during the year was not material and is therefore not reflected in the financial statements. 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 their time to the Organization's programs.

Gifts In Kind

NHHR received \$29,540 in food donations for the CareWays and Martha's Place Shelters from Connecticut Food Bank during the fiscal year ended June 30, 2013.

Supplemental Disclosure of Cash Flow Information

Cash paid for interest expense was \$30,800 for the year ended June 30, 2013.

Housing Development Costs

Development costs include acquisition and other expenses to develop and carry the property prior to and during construction.

NEW HAVEN HOME RECOVERY, INC. AND AFFILIATE LIFE HAVEN, INC.
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

3. FAIR VALUE OF FINANCIAL ASSETS

The Organization follows the provisions of ASC 820 effective for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements.

ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. ASC 820 establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety.

The Organization's investments consist of stock held in a brokerage account and an investment account with the Community Foundation of Greater New Haven. Both are considered level 2.

The Organization's investments are valued using the level one hierarchy under ASC 820 which is based upon unadjusted quoted prices for identical instruments traded in active markets.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2013:

| | |
|--------------------------------|---------------------|
| Land and Buildings | \$ 5,241,105 |
| Leasehold Improvements | 1,519,767 |
| Furniture and Equipment | 155,663 |
| Improvements | 1,019,681 |
| Less: Accumulated Depreciation | <u>(2,743,016)</u> |
| | <u>\$ 5,193,200</u> |

Included in the above totals at June 30, are assets related to the Treadwell Commons project (CHFA # 06049SH) as follows:

| | |
|--------------------------------|---------------------|
| Buildings | \$ 1,642,404 |
| Land | 634,232 |
| Less: Accumulated Depreciation | <u>(255,480)</u> |
| | <u>\$ 2,021,156</u> |

Selected details of Treadwell Commons as of June 30, 2013 is as follows:

| | |
|--|-----------|
| Unamortized Mortgage Costs at June 30, | \$ 78,520 |
| Depreciation Expense | 54,741 |
| Amortization Expense | 1,392 |

Cash Balances:

| | |
|--------------------------|--------|
| CHFA Good Faith Estimate | 7,769 |
| Security Deposits | 1,763 |
| Reserves | 16,361 |
| Operating | 14,640 |
| Escrows - Insurance | 6,348 |

NEW HAVEN HOME RECOVERY, INC. AND AFFILIATE LIFE HAVEN, INC.
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

5. OTHER ASSETS

Other assets at June 30, 2013 consist of inventory, prepaid expenses and security deposits.

6. NOTES AND MORTGAGES PAYABLE

City of New Haven - HOME Investment Partnerships Program

Mortgage payable in monthly installments of \$562 including principal and interest at a rate of 1% per annum. The loan matures in September 2025 and is secured by an eight unit apartment complex on Fitch Street in New Haven. The balance at June 30, 2013 was \$60,454.

Citizens Bank

Mortgage payable in monthly installments of \$1,275 including principal and interest at a rate of 6.4% per annum. The loan matures in November 2015 and is secured by property on Howard Avenue in New Haven. The balance at June 30, 2013 was \$130,312. This loan includes covenants related to its current asset ratio.

First Niagara Bank

Mortgage payable in monthly installments of \$990 including principal and interest at a rate of 5% per annum. The loan matures in July 2041 and is secured by property on Perkins Street in New Haven. The balance at June 30, 2013 was \$178,730.

First Niagara Bank

Mortgage payable in monthly installments of \$730 including principal and interest at a rate of 5% per annum. The loan matures in October 2041 and is secured by property on Read Street in New Haven. The balance at June 30, 2013 was \$131,543.

Corporation for Supportive Housing

Note payable in the amount of \$50,000; 0% interest for initial 24 months, 6% thereafter. The note matures the earlier of closing of predevelopment financing or May 1, 2016.

Line of Credit

NHHR has a revolving line of credit with Citizens Bank for up to \$250,000. Interest on the line is at an available rate of prime plus 1%. There was no activity or balance due on this line during the year ended June 30, 2013.

LH has a \$50,000 commercial line of credit agreement with First Niagara Bank with an interest rate at the bank's base rate plus 2%. The line is secured by LH's assets and expires on December 1, 2015. At June 30, 2013, \$50,000 was drawn against the line.

Maturities of the mortgages and notes payable are as follows:

| Fiscal Year <u>Ending June 30,</u> | |
|---------------------------------------|---|
| 2014 | \$ 18,099 |
| 2015 | 69,314 |
| 2016 | 20,704 |
| 2017 | 21,614 |
| 2018 | 22,314 |
| Thereafter | 448,994 |
| | <hr style="width: 50%; margin-left: auto; margin-right: 0;"/> |
| | 601,039 |
| Less: Current Portion | (18,099) |
| | <hr style="width: 50%; margin-left: auto; margin-right: 0;"/> |
| | \$ 582,940 |

NEW HAVEN HOME RECOVERY, INC. AND AFFILIATE LIFE HAVEN, INC.
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

7. HOUSING DEVELOPMENT COSTS

Housing development costs include projects that are in the developmental phase including costs for legal, acquisition, appraisal and other fees. Additionally it includes an option to purchase and develop a supportive housing development. The option includes a refundable deposit of \$20,000 and is contingent on mortgage commitments, zoning approvals and other items related to the land.

8. LEASING ARRANGEMENTS

NHHR leases office space located at 153 East Street, New Haven, Connecticut. The Organization recently revised the lease term to begin on July 1, 2013 and expire on October 31, 2019 at annual rates starting at \$93,333 for the first year and increasing annually to a rate of \$118,333 in the sixth year with an option to renew.

NHHR has a two year lease agreement, commencing June 1, 2013, for warehouse space for the Furniture Co-Op. The annual rent is \$26,400.

LH has an operating lease with St. Francis Church to lease a shelter facility at 447 Ferry Street, NW from July 1, 2012 through June 30, 2022. Annual lease expense for the five years ended June 30, 2017 is \$19,200. For the lease period July 1, 2017 through June 30, 2022 the annual lease expense will be \$24,821. The lease has one option to renew for an additional 10 years.

In addition, NHHR leases three photocopiers with terms expiring through July 2015 at rates ranging from \$24 to \$218 per month.

Future minimum lease payments for each of the next five years are as follows:

| Fiscal Year <u>Ending June 30,</u> | |
|---------------------------------------|------------------|
| 2014 | \$155,181 |
| 2015 | 154,453 |
| 2016 | 129,857 |
| 2017 | 133,721 |
| 2018 | 139,378 |
| Thereafter | 257,617 |
| | <u>\$970,207</u> |

9. CONTINGENT LIABILITIES

On September 10, 2007, NHHR received a commitment from the Connecticut Housing Finance Authority (CHFA) to provide construction and permanent funding in the form of a forgivable loan in the amount of \$2,315,828 with interest at 4% per annum. The terms of the agreement contain certain provisions and requirements as follows:

- The construction term of the agreement commenced on April 30, 2008 and continued until commencement of the permanent term, which occurred on January 10, 2010 and will continue for thirty years until maturity. During this period NHHR is prohibited from selling, assigning or transferring the property. If the property generates surplus cash, to be determined on an annual basis, NHHR is required to reimburse CHFA. These annual payments may be applied to principal, interest or an operating deficit reserve account at the discretion of CHFA. It is highly unlikely the property will generate any surplus cash or any annual payments will be made to CHFA.

NEW HAVEN HOME RECOVERY, INC. AND AFFILIATE LIFE HAVEN, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

9. CONTINGENT LIABILITIES (continued)

- Once maturity occurs, which shall be no later than May 30, 2040, NHHR will be required to maintain the property as affordable housing and continue to participate in the Next Steps Program (or its successor) for an additional thirty years or until May 30, 2070.

If NHHR complies with these provisions and requirements, all indebtedness with regards to the development will be forgiven.

Since the Organization's mission, amongst other services, is to provide supportive housing for its clients, there is only a remote possibility this loan will not be forgiven. Thus, no liability has been recorded and interest has not been accrued. This non-recourse forgivable loan is secured by the property.

NHHR participates in a number of city, state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2013 may be impaired. In the opinion of the Organization, there are no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NHHR received a \$425,000 grant from the State of Connecticut, Department of Social Services during the fiscal year ended June 30, 2002 for the purchase and renovation of the CareWays Shelter, a family crisis center in New Haven. Under the terms of the agreement, the Organization must continue to provide services to families in crisis continuously for ten years from the date the renovations are completed. If the Organization were to discontinue usage of the property for its specified grant purpose, the grant would be repayable to the State of Connecticut, less 10% for each year which has elapsed. The State of Connecticut has a lien on the property for the amount of this grant, which will terminate on June 30, 2014.

In fiscal year 2003, the Organization was awarded a \$464,779 grant from the State of Connecticut, Department of Social Services for the purchase and renovation of Martha's Place in New Haven. If the Organization were to discontinue usage of the property for its specified grant purpose, the grant would be repayable to the State of Connecticut, less 10% for each year which has elapsed. The State of Connecticut has a lien on the property for the amount of this grant, which will terminate on June 30, 2016.

10. CONCENTRATIONS OF CREDIT RISK

Support and Revenue Concentrations

The Organization receives a significant part of its support and revenue from federal and state grants. All of these grants are subject to reduction or termination in future years. Any significant reduction in these grants could have an adverse impact on the Organization's program services.

Grants and Contracts Receivable

Grants and Contracts receivable are evidenced by signed contracts with a variety of state and federal government agencies. Based on historical experience, management believes these receivables represent a negligible credit risk. Accordingly, management has not established an allowance for potential credit losses.

NEW HAVEN HOME RECOVERY, INC. AND AFFILIATE LIFE HAVEN, INC.
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
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10. CONCENTRATIONS OF CREDIT RISK (continued)

Cash and Cash Equivalents

The Organization maintains cash balances at several financial institutions. The Federal Deposit Insurance Corporation insures accounts up to \$250,000. In the normal course of business, the Organization had cash balances that exceeded the insured limits. At June 30, 2013, the Organization's funds exceeded the federally insured limits.

11. RETIREMENT PLAN

The Organization established a 401(k) plan on January 1, 2007 covering employees meeting the Internal Revenue Service eligibility requirements. Employees are eligible to contribute to the plan after 90 days of employment. The plan allows for discretionary contributions by the Organization. For the year ended June 30, 2013 the Organization made no matching contributions.

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following specific expenditures:

| | |
|--|------------------|
| The Catholic Charity League (mattress) | \$ 2,910 |
| Hunger and Homelessness | 6,775 |
| Renovations | <u>93,000</u> |
| Total | <u>\$102,685</u> |

13. LIFE HAVEN, INC.

Included in the results of operation of the Organization are the results of Life Haven, Inc., an affiliate of NHHR. The intercompany transactions have not been eliminated for the following footnote. Life Haven, Inc.'s statement of financial position and statement of activities and changes in net assets are as follows:

Statement of financial position:

| | |
|-------------------|--------------------|
| Total assets | \$ 472,108 |
| Total liabilities | <u>(497,929)</u> |
| Net assets | <u>\$ (25,821)</u> |

Statement of activities and changes in net assets:

| | |
|---|--------------------|
| Grants | \$ 799,825 |
| Contributions | 184,198 |
| Other | <u>41,812</u> |
| | 1,025,835 |
| Less: Program expenses | (923,033) |
| Less: General and administrative expenses | <u>(121,671)</u> |
| Net loss | <u>\$ (18,869)</u> |

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 24, 2013, the date on which the financial statements were available to be issued.