

**FARNAM NEIGHBORHOOD HOUSE, INC.**  
**FINANCIAL STATEMENTS**  
**(WITH SUPPLEMENTARY INFORMATION IN**  
**ACCORDANCE WITH STATE SINGLE AUDIT)**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**JUNE 30, 2016**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Farnam Neighborhood House, Inc.  
New Haven, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Farnam Neighborhood House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Farnam Neighborhood House, Inc. as of June 30, 2016, 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.

### **Other Matters**

#### *Supplementary and Other Information*

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2017, on our consideration of Farnam Neighborhood House, Inc.'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 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 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 Farnam Neighborhood House, Inc.'s internal control over financial reporting and compliance.

*Banti & DeFelice, CPAs, LLC*

**BANTI & DeFELICE, CPAs, LLC**  
Certified Public Accountants

North Haven, CT  
January 10, 2017

FARNAM NEIGHBORHOOD HOUSE, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

ASSETS

ASSETS

Cash and Cash Equivalents	\$ 93,377
Accounts Receivable	10,621
Grants Receivable	10,300
Investments	189,859
Land, Building, and Equipment, Net	<u>1,585,865</u>

TOTAL ASSETS

\$ 1,890,022

LIABILITES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 24,106
Accrued Expenses	4,960
Line of Credit	15,000
Deferred Revenue	<u>24,003</u>

TOTAL LIABILITIES

68,069

NET ASSETS

Unrestricted:	
General	1,574,719
Board Designated	<u>189,859</u>
Total Unrestricted	1,764,578
Temporarily Restricted	<u>57,375</u>

TOTAL NET ASSETS

1,821,953

TOTAL LIABILITIES AND NET ASSETS

\$ 1,890,022

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

FARNAM NEIGHBORHOOD HOUSE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 119,137	\$ 55,390	\$ 174,527
Government Grants	545,104	30,648	575,752
Program Fees	85,029	-	85,029
Membership Dues	64,629	-	64,629
Retail Sales	2,244	-	2,244
Rental Income	2,835	-	2,835
Miscellaneous Income	84,881	-	84,881
Investment Return	467	-	467
Special Events Revenue	78,267	14,842	93,109
Special Events Expense	(36,377)	-	(36,377)
Net Assets Released from Restriction	55,390	(55,390)	-
	<u>\$ 1,001,606</u>	<u>\$ 45,490</u>	<u>\$ 1,047,096</u>
<b>TOTAL REVENUE, GAINS AND OTHER SUPPORT</b>			
<b>EXPENSES</b>			
<b>Program Services Expense</b>			
Afterschool	\$ 220,364	-	\$ 220,364
Nursery	120,408	-	120,408
Evening/Weekend	184,552	-	184,552
Camp	148,193	-	148,193
<b>Support Services Expense</b>			
Management and General	158,914	-	158,914
Fundraising	26,769	-	26,769
	<u>859,200</u>	<u>-</u>	<u>859,200</u>
<b>TOTAL EXPENSES</b>			
<b>CHANGE IN NET ASSETS</b>	142,406	45,490	187,896
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,622,172</u>	<u>11,885</u>	<u>1,634,057</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,764,578</u>	<u>\$ 57,375</u>	<u>\$ 1,821,953</u>

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

**FARNAM NEIGHBORHOOD HOUSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	PROGRAM SERVICES					SUPPORT SERVICES			TOTAL
	AFTERSCHOOL	NURSERY	EVENING/ WEEKEND	CAMP	Program Services	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL	
Salaries and Wages	\$ 125,141	\$ 83,346	\$ 91,568	\$ 51,977	\$ 352,032	\$ 70,503	\$ 22,239	\$ 444,774	
Employee Benefits	21,400	14,218	24,236	8,089	67,943	18,131	4,530	90,604	
Professional Fees	1,050	-	-	-	1,050	31,945	-	32,995	
Supplies	296	1,320	7,504	2,801	11,921	19,804	-	31,725	
Utilities	8,540	1,262	7,974	4,475	22,251	1,392	-	23,643	
Transportation	3,675	1,025	3,675	3,675	8,375	-	-	8,375	
Depreciation	22,284	3,293	20,809	29,255	75,641	4,900	-	80,541	
Insurance	10,256	1,548	9,778	9,654	31,236	1,706	-	32,942	
Investment and Bank Fees	-	-	-	-	-	3,053	-	3,053	
Dues	-	-	-	-	-	2,009	-	2,009	
Maintenance	8,597	1,271	8,028	17,921	35,817	1,416	-	37,233	
Interest and Penalty Expense	-	-	-	-	-	2,678	-	2,678	
Vehicle Expense	800	201	-	214	1,215	-	-	1,215	
Stipends	-	2,850	4,590	1,550	8,990	-	-	8,990	
Conferences and Meetings	73	2,082	180	727	3,062	877	-	3,939	
Mini Grant	7,678	4,542	3,705	5	15,930	-	-	15,930	
Bad Debt	10,574	3,450	2,955	-	16,979	-	-	16,979	
Scholarships	-	-	3,225	17,850	21,075	500	-	21,575	
<b>TOTAL EXPENSES</b>	<b>\$ 220,364</b>	<b>\$ 120,408</b>	<b>\$ 184,552</b>	<b>\$ 148,193</b>	<b>\$ 673,517</b>	<b>\$ 158,914</b>	<b>\$ 26,769</b>	<b>\$ 859,200</b>	

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

FARNAM NEIGHBORHOOD HOUSE, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Increase in Net Assets	\$ 187,896
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Realized Loss on Investments	431
Unrealized Loss on Investments	7,823
Depreciation	80,541
(Increase) Decrease in Assets	
Accounts Receivable	18,289
Grant Receivable	21,173
Increase (Decrease) in Liabilities	
Accounts Payable	(28,043)
Accrued Expenses	(2,927)
Deferred Revenue	(6,928)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>278,255</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Sales of Investments	31,000
Dividends and Interest Reinvested (Net of Bank Fees)	(6,934)
Purchases of Property and Equipment	(252,625)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(228,559)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Proceeds from Line of Credit	15,000
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>15,000</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 64,696

Beginning Cash and Cash Equivalents 28,681

**ENDING CASH AND CASH EQUIVALENTS** \$ 93,377

See Note 1-Cash and Cash Equivalents

**SUPPLEMENTAL DISCLOSURES:**

Interest Paid \$ 1,590

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



**FARNAM NEIGHBORHOOD HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Farnam Neighborhood House, Inc. plays a leadership role in helping the community to be successful, cohesive and productive. Farnam Neighborhood House, Inc. allows children to have a caring environment when they are not at home and allows children from the inner city to experience country camp. Farnam Neighborhood House, Inc. also provides youth and adult support services to inner city families. The Organization is supported primarily through government grants and contracts, contributions and membership fees.

**Basis of Presentation**

Farnam Neighborhood House, Inc.'s financial statements are presented on the accrual basis of accounting and in accordance with the Financial Accounting Standards Board's guidance on reporting information regarding its financial position and activities for not-for-profit organizations. Under that guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization does not have any permanently restricted net assets as of June 30, 2016. Contributions are recognized as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

**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.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash limited to use has been temporarily restricted by the grants and is not available for operating purposes. At June 30, 2016, \$57,375 of cash and cash equivalents are temporarily restricted and limited to use.

FARNAM NEIGHBORHOOD HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt and an adjustment to a valuation allowance based on its assessment of current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts is written off through a charge to the valuation allowance and a credit to accounts receivable. All accounts receivable at June 30, 2016 are expected to be fully collected within one year.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the Changes of Net Assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**Property and Equipment**

Purchased property and equipment are valued at cost. Property and equipment are depreciated using the straight-line method. All purchases of land and equipment with a cost greater than \$2,000 are capitalized. Donations of property and equipment are recorded as contributions at their estimated fair value.

Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**Deferred Revenue**

Deferred revenue includes program service fees and special event sponsorships deferred until the program takes place or the event occurs.

**Revenue Recognition**

Income and expenses are recorded on the accrual basis of accounting.

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

**Contributions**

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 timed restriction ends or purpose restriction is accomplished), temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Contributed Services**

During the fiscal year ended June 30, 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist Farnam Neighborhood House, Inc. at the camp and Fillmore Street, but these services do not meet the criteria for recognition as contributed services.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on the functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Tax Status**

Farnam Neighborhood House, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. However, income from certain activities not directly related to the Organization's tax exempt purpose would be subject to taxation as unrelated business income. As of June 30, 2016, Farnam Neighborhood House, Inc. believes it did not engage in any unrelated business activities and, therefore, does not have any uncertain tax positions. It is the Organization's policy to recognize interest and penalties, if any, in the provision for taxes. Farnam Neighborhood House, Inc.'s Form 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2013 forward, are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 2 - INVESTMENTS**

Farnam Neighborhood House, Inc.'s investments are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Fixed Income Mutual Funds	\$ 63,084	\$ 60,959	\$ (2,125)
Equity Securities:			
Common Stock	3,029	3,375	346
Mutual Funds	108,161	120,246	12,085
Cash on Hand	<u>5,279</u>	<u>5,279</u>	<u>0</u>
Total Investments	<u>\$ 179,553</u>	<u>\$ 189,859</u>	<u>\$ 10,306</u>

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2016:

Interest and Dividends	\$ 8,681
Interest-Other	40
Loss on Sale of Investments	(431)
Unrealized Loss on Investments	<u>(7,823)</u>
Total Investment Return	<u>\$ 467</u>

**NOTE 3 - LAND, BUILDING AND EQUIPMENT**

At June 30, 2016, land, building and equipment consist of the following:

Land	\$ 179,523
Building and Playground	1,771,762
Camp Farnam	942,780
Equipment	<u>81,814</u>
Total	2,975,879
Less: Accumulated Depreciation	<u>(1,390,014)</u>
Land, Building and Equipment Net	<u>\$ 1,585,865</u>

Depreciation expense was \$80,541 for the year ended June 30, 2016.

FARNAM NEIGHBORHOOD HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

**NOTE 4 - LINE OF CREDIT**

Farnam Neighborhood House has available a Line of Credit with Start Community Bank. The terms of the Line of Credit are as follows:

Amount available at June 30, 2016	\$ 15,000
Amount outstanding at June 30, 2016	15,000
Interest Rate	Fixed Rate of 3.75%
Annual Fee	0
Collateral	Time Deposit not less than \$15,000 (included in Cash and Cash Equivalents)
Term	On Demand
Other Conditions	none

On July 24, 2016, Farnam Neighborhood House, Inc. closed their Line of Credit with Start Community Bank.

On June 13, 2016, Farnam Neighborhood House, Inc. signed an unsecured Revolving Line of Credit Note with First Niagara. The Line of Credit terms are as follows:

Amount available at June 30, 2016	\$ 35,000
Amount outstanding at June 30, 2016	0
Interest Rate	Prime + 3%
Annual Fee	\$ 100

**NOTE 5 - NET ASSETS**

Board designated assets of \$189,859 are included in unrestricted net assets of \$1,764,578.

Temporarily restricted net assets are available for the following purposes at June 30, 2016:

State of Connecticut Bonding	\$ 42,533
Special Events Revenue – Camp Scholarships	<u>14,842</u>
<b>Temporarily Restricted Net Assets</b>	<b><u>\$ 57,375</u></b>

The sources of Net Assets released from temporary donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors were as follows:

Program Support	<u>\$ 55,390</u>
<b>Net Assets Released from Temporarily Restricted Net Assets</b>	<b><u>\$ 55,390</u></b>

FARNAM NEIGHBORHOOD HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

**NOTE 6 - SPECIAL EVENTS**

The Organization holds special events each year. Special events for the year ended June 30, 2016 included the Celebrity Sports Breakfast, Awards Gathering, Golf Tournament and Biddy Basketball Banquet. Contributions raised from the events are directed to the General Operations of Farnam Neighborhood House, Inc. unless specified at an event. All contributions are included in Special Events Revenue in the Statement of Activities.

**NOTE 7 - FAIR VALUE MEASUREMENTS**

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2016 are as follows:

	Fair Value Measurements at Reporting Date Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments			
(See Note 2-Investments)	<u>\$189,859</u>	<u>\$189,859</u>	<u>\$ 0</u>

Financial Accounting Standard Board (FASB), *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Valuation techniques utilized to determine fair value are consistently applied. The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 7 - FAIR VALUE MEASUREMENTS (continued)**

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 inputs must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no transfers between fair value hierarchy levels for any invested assets recorded at fair value for the year ended June 30, 2016.

Investments recorded using Level 1 fair values are based on observable quoted market prices from national securities exchange and daily sale prices.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

**NOTE 8 - CONCENTRATION OF REVENUE SOURCES**

A majority of the Organization's revenue is derived from grants from the Federal and State government. The current level of the Organization's operations and program services may be impacted or segments discontinued if the funding is not renewed.

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 9 - CONCENTRATION OF CREDIT RISK**

Farnam Neighborhood House, Inc. maintains cash in bank deposit accounts which at times may exceed FDIC limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash.

**NOTE 10 - CONTINGENT LIABILITIES**

The use of grants in programs is subject to future review by the grantors. Such review may result in additional liabilities to the grantors for unexpended funds which were restricted to use in certain programs. Any such additional liabilities are not expected by management to be material and have not been reflected in the financial statements.

**NOTE 11 - SUBSEQUENT EVENTS**

**Date of Management's Review**

In preparing the financial statements, the Organization has evaluated subsequent events for potential recognition or disclosure through January 10, 2017, the date of which the financial statements were available to be issued.



# BANTI & DEFELICE, CPAS, LLC

*Certified Public Accountants*

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHERS MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### Independent Auditor's Report

To the Board of Directors of  
Farnam Neighborhood House, Inc.  
New Haven, Connecticut

We have audited, 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 the financial statements of Farnam Neighborhood House, Inc., which comprise the statement of financial position as of June 30, 2016 and the related statements of activities, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated January 10, 2017.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Farnam Neighborhood House, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Farnam Neighborhood House, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Farnam Neighborhood's House, Inc.'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 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 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 designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Farnam Neighborhood House, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

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

*Banti & DeFelice, CPAs, LLC*

**BANTI & DeFELICE, CPAs, LLC**  
Certified Public Accountants

North Haven, CT  
January 10, 2017

# BANTI & DEFELICE, CPAS, LLC

*Certified Public Accountants*

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## REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

### Independent Auditor's Report

To the Board of Directors  
Farnam Neighborhood House, Inc.  
New Haven, Connecticut

#### Report on Compliance for Each Major State Program

We have audited Farnam Neighborhood House, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management *Compliance Supplement* that could have a direct and material effect on each of Farnam Neighborhood House, Inc.'s major state programs for the year ended June 30, 2016. Farnam Neighborhood House, Inc.'s major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

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

#### Auditor's Responsibility

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

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

## Opinion on Each Major State Program

In our opinion, Farnam Neighborhood House, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

## Report on Internal Control over Compliance

Management of Farnam Neighborhood House, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Farnam Neighborhood House, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Farnam Neighborhood House, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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. that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

*Banti & De Felice, CPAs, LLC*

BANTI & DeFELICE, CPAs, LLC  
Certified Public Accountants

North Haven, CT  
January 10, 2017

FARNAM NEIGHBORHOOD HOUSE, INC.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2016

<b>State Grantor Pass-Through Grantor Program Title</b>	<b>State Grant Program CORE-CT Number</b>	<b>Expenditures</b>
<b><u>Department of Education</u></b>		
<b>School Readiness and Child Care in Priority School Districts Pass-Through City of New Haven School Readiness Grant</b>	11000-SDE64000-82056	\$ 79,572
<b>Afterschool Program Pass-Through City of New Haven School of 21<sup>st</sup> Century Grant</b>	11000-SDE64000-84131	17,640
<b><u>Department of Children and Families</u></b>		
<b>Community Based Prevention Program Positive Youth Development Grant</b>	11000-DCF91110-16092	132,685
<b><u>Department of Social Services</u></b>		
<b>Neighborhood Facilities State Bond</b>	12052-DSS60000-6002PP	<u>104,374</u>
<b>Total State Financial Assistance</b>		<b><u>\$334,271</u></b>

See Notes to Schedule

**FARNAM NEIGHBORHOOD HOUSE, INC.**

**NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE PROGRAMS**

**FOR THE YEAR ENDED JUNE 30, 2016**

The accompanying schedule of expenditures of state financial assistance includes state grant activity of Farnam Neighborhood House, Inc. under programs of the State of Connecticut for the fiscal year ended June 30, 2016. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including the Preschool Program, After School Program, Positive Youth Development Program and Repairs/Renovating of the Facilities.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Farnam Neighborhood House, Inc. conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

**Basis of Accounting**

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the basis of accounting principles general accepted in the United States of America. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

**FARNAM NEIGHBORHOOD HOUSE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's opinion issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? reported None reported

Noncompliance material to financial statements noted? No

**State Financial Assistance**

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? reported None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? No

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Social Services	12052-DSS60000-6002PP	\$104,374
Department of Children and Families	11000-DCF91110-16092	\$132,685
<ul style="list-style-type: none"> <li>• Dollar threshold used to distinguish between Type A and Type B programs</li> </ul>		\$100,000

**II. FINANCIAL STATEMENT FINDINGS**

NONE

**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

NONE

**See auditor's report.**