



From homelessness to hope.

NEW HAVEN HOME RECOVERY, INC.

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2011 AND 2010

NEW HAVEN HOME RECOVERY, INC.

JUNE 30, 2011 AND 2010

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GUILMARTIN ▪ DIPIRO ▪ SOKOLOWSKI LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of New Haven Home Recovery, Inc., (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of New Haven Home Recovery, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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., as of June 30, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Guilmartin, DiPiro & Sokolowski LLC*

Middletown, Connecticut  
October 27, 2011

NEW HAVEN HOME RECOVERY, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2011 AND 2010

	<u>ASSETS</u>	
	June 30, 2011	June 30, 2010
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 392,656	\$ 473,138
Grants and Contracts Receivable	583,039	416,606
Investments	161,693	199,595
Total Current Assets	<u>1,137,388</u>	<u>1,089,339</u>
PROPERTY AND EQUIPMENT, NET	<u>4,757,347</u>	<u>4,113,657</u>
<b>OTHER ASSETS</b>		
Prepays and Security Deposits	81,793	44,105
Housing Development Costs	615,790	399,870
Mortgage Costs, nets	133,880	82,696
Total Other Assets	<u>831,463</u>	<u>526,671</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,726,198</u>	<u>\$ 5,729,667</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Mortgages Payable, Current Portion	\$ 13,873	\$ 11,148
Accounts Payable and Accrued Expenses	302,180	181,400
Deferred Income	257,175	263,314
Total Current Liabilities	<u>573,228</u>	<u>455,862</u>
<b>NON-CURRENT LIABILITIES</b>		
Mortgages Payable, less Current Portion	491,716	446,790
Total Non-Current Liabilities	<u>491,716</u>	<u>446,790</u>
<b>TOTAL LIABILITIES</b>	<u>1,064,944</u>	<u>902,652</u>
<b>NET ASSETS</b>		
Unrestricted	5,661,254	4,827,015
Total Net Assets	<u>5,661,254</u>	<u>4,827,015</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,726,198</u>	<u>\$ 5,729,667</u>

See accompanying notes to the financial statements.

NEW HAVEN HOME RECOVERY, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	Year Ended June 30, 2011	Year Ended June 30, 2010
<b>SUPPORT AND REVENUES</b>		
Grants	\$ 3,463,366	\$ 2,940,269
Contributions	244,374	320,883
Special Events, net of expenses of \$20,578 and \$22,674, respectively	92,833	96,746
Rental Income	224,467	227,988
Development Fee	113,202	-
Investment Income	877	2,423
Other Support Revenue	64,405	92,594
Total Support and Revenues	4,203,524	3,680,903
<b>EXPENSES</b>		
Program Services:		
Family Stabilization Service	1,217,490	862,381
Emergency Shelters	719,644	691,688
Supportive Housing	1,485,523	1,469,356
The Furniture Co-Op	208,771	110,955
Total Program Services	3,631,428	3,134,380
Support Services:		
Management and General	418,936	371,832
Fundraising	124,077	99,703
Total Support Services	543,013	471,535
Total Expenses	4,174,441	3,605,915
Changes in Net Assets from Operations	29,083	74,988
<b>OTHER CHANGES</b>		
Grants for Housing Developments and Capital Expenditures	805,156	87,919
<b>NET INCREASE IN NET ASSETS</b>	834,239	162,907
<b>NET ASSETS, BEGINNING OF YEAR</b>	4,827,015	4,664,108
<b>NET ASSETS, END OF YEAR</b>	\$ 5,661,254	\$ 4,827,015

See accompanying notes to the financial statements.

NEW HAVEN HOME RECOVERY, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	Program Services					Support Services			Total Expenses	
	The Furniture Co-Op	Family Stabilization Services	Emergency Shelters	Supportive Housing	Total Program Services	Management and General	Fund-raising	Total Support Services	2011	2010
									Expenses	Expenses
Salaries	\$86,993	\$479,160	\$436,799	\$443,207	\$1,446,159	\$266,260	\$68,948	\$335,208	\$1,781,367	\$1,541,737
Payroll Taxes & Fringe Benefits	10,969	78,850	80,299	94,395	264,513	39,642	12,362	52,004	316,517	279,189
Rent	39,941	27,627	3,427	7,275	78,270	23,343	11,323	34,666	112,936	97,166
Property Taxes	192	-	-	40,987	41,179	-	-	-	41,179	45,194
Meetings	3,789	793	7,986	1,592	14,160	6,186	2,266	8,452	22,612	17,002
Utilities	9,571	159	42,209	32,987	84,926	-	-	-	84,926	75,669
Repairs & Maintenance	10,537	540	34,040	126,384	171,501	3,724	-	3,724	175,225	148,018
Travel	162	15,357	2,157	15,963	33,639	2,341	147	2,488	36,127	27,026
Professional Development	-	1,905	1,792	2,227	5,924	4,237	265	4,502	10,426	12,393
Security	-	33	2,636	1,082	3,751	801	-	801	4,552	9,036
Office Expense & Supplies	6,817	12,293	21,252	56,318	96,680	28,802	18,768	47,570	144,250	133,151
Computer Expense	1,122	14,949	5,502	16,775	38,348	7,197	2,412	9,609	47,957	47,700
Communications	2,973	7,102	6,153	10,573	26,801	5,099	1,194	6,293	33,094	30,078
Insurance	2,874	3,003	12,466	26,948	45,291	1,186	851	2,037	47,328	48,799
Professional Fees	260	2,380	-	3,799	6,439	25,909	2,415	28,324	34,763	17,741
Contractual Services	-	44,459	1,719	201,835	248,013	3,591	-	3,591	251,604	251,028
Client Services	30,300	528,880	8,849	295,199	863,228	-	2,667	2,667	865,895	665,966
Interest	-	-	9,479	3,057	12,536	162	459	621	13,157	13,578
Depreciation	2,271	-	42,879	104,920	150,070	456	-	456	150,526	145,444
<b>TOTAL</b>	<b>\$208,771</b>	<b>\$1,217,490</b>	<b>\$719,644</b>	<b>\$1,485,523</b>	<b>\$3,631,428</b>	<b>\$418,936</b>	<b>\$124,077</b>	<b>\$543,013</b>	<b>\$4,174,441</b>	<b>\$3,605,915</b>

See accompanying notes to the financial statements.

NEW HAVEN HOME RECOVERY, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	Year Ended June 30, 2011	Year Ended June 30, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets From Operations	\$ 29,083	\$ 74,988
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	150,526	145,444
(Increase) Decrease in Operating Assets:		
Grants and Contracts Receivable	(166,433)	3,099
Prepays and Other Assets	(37,688)	(28,085)
Increase (Decrease) in Operating Liabilities:		
Deferred Revenue	(6,139)	83,041
Accounts Payable and Accrued Expenses	120,780	(68,749)
Net Cash Provided by Operating Activities	90,129	209,738
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	-	(45,955)
Sale of Investments	37,902	-
Purchase of Property and Equipment	(794,216)	(15,870)
(Increase) in Housing Development Costs	(215,920)	(399,870)
(Increase) in Mortgage Costs	(51,184)	-
Net Cash (Used) by Investing Activities	(1,023,418)	(461,695)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan Proceeds	236,662	234,030
Principal Payments on Debt	(189,011)	(160,800)
Proceeds from Grants Used for Capital Expenditures	805,156	87,919
Net Cash Provided by Financing Activities	852,807	161,149
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(80,482)	(90,808)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	473,138	563,946
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 392,656	\$ 473,138

See accompanying notes to the financial statements.

NEW HAVEN HOME RECOVERY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

1. NATURE OF ORGANIZATION

New Haven Home Recovery, Inc. (NHHR or the Organization) is a nonprofit housing and human services organization, with administrative offices in New Haven, Connecticut. The Organization's mission is to promote the independence of women and children confronting homelessness, HIV/AIDS and behavioral health issues in a supportive environment where their potential can be realized by providing emergency shelter and supportive housing services.

- Family Stabilization Services include the Family School Connection Program, strength based home visiting support program for families of school age children. Our other stabilization programs include transitional and supportive housing which provides affordable housing and services and the Children's Education Partnership ensuring that all youth facing homelessness receive necessary services mandated under the McKinney Vento Act.
- Our emergency shelters operate on a length of stay model for homeless women and children and provide shelter, case management, food, clothing, behavioral health services, medical and vocational services on site.
- NHHR's supportive housing programs pair affordable housing with intensive, comprehensive in-home case management. Issues related to homelessness are addressed and resources are provided to ensure that families remain stable in housing and do not return to a homeless situation.
- The Furniture Co-Op provides donated furniture and housewares to needy individuals and families through a network of New Haven area nonprofit organizations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of NHHR is presented to assist in understanding the Organization's financial statements. The financial statements and notes are the representations of NHHR'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. There were no permanently or temporarily restricted net assets at June 30, 2011 and 2010.

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.

Comparative financial information

The statements of functional expenses include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.



NEW HAVEN HOME RECOVERY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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, 2011 and 2010 was \$150,526 and \$145,444, respectively.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" 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).

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.

NEW HAVEN HOME RECOVERY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

NHHR 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 NHHR's programs.

Supplemental Disclosure of Cash Flow Information

Cash paid for interest expense was \$12,496 and \$13,468 for the years ended June 30, 2011 and 2010, respectively. Capitalized interest for the years ended June 30, 2011 and 2010 totaled \$15,044 and \$1,171, respectively.

Summarized Financial Information for 2010

The financial statements include prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NHHR's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Housing Development Costs

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

3. FAIR VALUE OF FINANCIAL ASSETS

The Organization follows the provisions of (ASC) 902 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) 902 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) 902 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 certificates of deposit in the amount of \$155,579 with original maturities greater than three months and stock in the amount of \$6,114 in a brokerage account.

The Organization's investments are valued using the level one hierarchy under (ASC) 902 which is based upon unadjusted quoted prices for identical instruments traded in active markets.

NEW HAVEN HOME RECOVERY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

4. PROPERTY AND EQUIPMENT

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

	<u>2011</u>	<u>2010</u>
Land and Buildings	\$ 4,627,966	\$ 3,912,135
Furniture and Equipment	142,512	127,673
Improvements	839,988	777,967
Less: Accumulated Depreciation	<u>(853,119)</u>	<u>(704,118)</u>
	<u>\$ 4,757,347</u>	<u>\$ 4,113,657</u>

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

Selected details of Treadwell Commons, a property of New Haven Home Recovery, Inc. as of June 30, 2011 and 2010.

Information found in footnote 4 – Property and Equipment regarding Treadwell:

	<u>2011</u>	<u>2010</u>
Buildings	\$ 1,642,404	\$ 1,642,404
Land	634,232	634,232
Less: Accumulated Depreciation	<u>(145,992)</u>	<u>(91,245)</u>
	<u>\$ 2,130,644</u>	<u>\$ 2,185,391</u>
Unamortized Mortgage Costs at June 30,	\$ 81,304	\$ 82,696
Depreciation Expense	54,747	54,747
Amortization Expense	1,392	696
<b>Cash Balances:</b>		
CHFA Good Faith Estimate	7,358	7,358
Security Deposits	1,130	910
Reserves	9,267	11,177
Operating	2,628	2,055
Escrows - Insurance	13,510	12,270

5. OTHER ASSETS

Other assets at June 30, 2011 and 2010 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 balances at June 30, 2011 and 2010 were \$70,312 and \$75,208, respectively.

NEW HAVEN HOME RECOVERY, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

6. NOTES AND MORTGAGES PAYABLE (continued)

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 balances at June 30, 2011 and 2010 were \$142,883 and \$148,700, respectively. 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, 2011 was \$184,293.

Greater New Haven Community Loan Fund

See Note 7.

Maturities of the mortgages payable are as follows:

	<u>Fiscal Year</u> <u>Ending June 30,</u>	
2012		\$ 13,873
2013		14,855
2014		15,959
2015		17,063
2016		18,336
Thereafter		425,503
		<hr style="width: 100%;"/>
		505,589
Less: Current Portion		(13,873)
		<hr style="width: 100%;"/>
		<u>\$ 491,716</u>

Line of Credit

The Organization 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 both years ended June 30, 2011 and 2010.

7. HOUSING DEVELOPMENT COSTS

NHHR purchased two foreclosed multi-unit apartment projects in New Haven and received a commitment from the Greater New Haven Community Loan Fund (GNHCLF) for grants to rehabilitate and renovate the buildings. These funds became available through the American Re-investment Act and the Neighborhood Stabilization Program. The Organization received proceeds in the amount of \$234,030 from GNHCLF during 2010 to purchase the properties and will be paid in full upon initial occupancy and conversion to permanent financing. During the year ended June 30, 2011 NHHR received additional proceeds in the amount of \$52,162 and repaid \$178,091. The balance at June 30, 2011 was \$108,101 for the Read Street property. This loan bears interest at 7% per annum and is secured by the Read Street building.

NHHR received \$956,864 in federal renovation grants passed through the City of New Haven Economic Development Corporation. The Organization also received \$80,000 from The Melville Charitable Trust to complete the construction. Grant revenue in the amount of \$805,156 was recorded for the year ended June 30, 2011 and \$90,105 for the year ended June 30, 2010.

NEW HAVEN HOME RECOVERY, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

8. LEASING ARRANGEMENTS

The Organization leases office space located at 153 East Street, New Haven, Connecticut. The lease term began on November 1, 2009 and expires October 31, 2015 at annual rates starting at \$75,000 for the first year and increasing annually to a rate of \$93,333 in the sixth and final year.

The Organization has also entered into a lease agreement through December 31, 2011 for warehouse and thrift store space for the Furniture Co-Op. The annual base rent is \$28,800 in addition to approximately \$5,200 in common area maintenance charges.

In addition, NHHR leases three photocopiers with terms expiring through July 2015 at rates ranging from \$24 to \$218 per month. Rent expense related to this equipment for the years ended June 30, 2011 and 2010 approximated \$5,400 and \$4,450, respectively.

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

Fiscal Year <u>Ending June 30,</u>	
2012	\$ 106,050
2013	93,486
2014	98,253
2015	34,643
2016	388
	<u>\$ 332,820</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.
- 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.

NEW HAVEN HOME RECOVERY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

9. CONTINGENT LIABILITIES (continued)

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, 2011 and 2010 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.

In May 2007, NHHR entered into an agreement with the City of New Haven's Livable City Initiative for the City to provide \$24,000 under the Lead-Based Paint Hazard Reduction Grant Program. Under this agreement, the Organization received funds to abate lead based paint from its Elm Street property. The loan is a 5-year forgivable loan and requires that NHHR rent the property to eligible low income households with incomes at or below 50% AMI (Area Median Income), which is consistent with its program structure. This loan has been accounted for as a grant and NHHR has every expectation of meeting the forgivable provisions.

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.

Cash and Cash Equivalents

NHHR 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, 2011, the Organization's funds exceeded the federally insured limits.

NEW HAVEN HOME RECOVERY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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 years ended June 30, 2011 and 2010 the Organization made matching contributions of \$15,587 and \$0, respectively.

12. SUBSEQUENT EVENTS

Subsequent to year end, New Haven Home Recovery, Inc. converted the construction loan on the Read Street property to a conventional mortgage and thus, the construction loan is recorded as long-term debt as of June 30, 2011.

Management has evaluated subsequent events through October 27, 2011, the date on which the financial statements were available to be issued.