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BUILDING HOPEFUL FUTURES

NEW REACH, INC.
(FORMERLY NEW HAVEN HOME RECOVERY, INC.)
AND AFFILIATE LIFE HAVEN, INC.

COMBINED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2014 AND 2013

NEW REACH, INC. AND AFFILIATE LIFE HAVEN, INC.

JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying combined financial statements of New Reach, Inc. and affiliate Life Haven, Inc. (nonprofit organizations), which comprise the combined statements of financial position as of June 30, 2014 and 2013, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 combined 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 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of New Reach, Inc. and affiliate Life Haven, Inc. as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Guilmartin, DiPiro + Sokolowski LLC

Middletown, Connecticut
October 16, 2014

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NEW REACH, INC. AND AFFILIATE LIFE HAVEN, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 438,870	$ 1,026,234
Grants and Contracts Receivable	475,703	418,555
Investments	24,840	16,574
Total Current Assets	939,413	1,461,363
PROPERTY AND EQUIPMENT, NET	5,471,572	5,193,200
OTHER ASSETS		
Other Assets	99,169	95,662
Housing Development Cost	1,212,822	161,742
Mortgage Costs, net	124,444	127,589
Total Other Assets	1,436,435	384,993
TOTAL ASSETS	$ 7,847,420	$ 7,039,556
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Mortgages Payable, Current Portion	$ 18,262	$ 18,099
Accounts Payable and Accrued Expenses	451,386	367,809
Deferred Income	318,837	609,664
Total Current Liabilities	788,485	995,572
NON-CURRENT LIABILITIES		
Mortgages Payable, less Current Portion	1,503,600	582,941
Total Non-Current Liabilities	1,503,600	582,941
TOTAL LIABILITIES	2,292,085	1,578,513
NET ASSETS		
Unrestricted	5,555,335	5,358,358
Temporarily Restricted	-	102,685
Total Net Assets	5,555,335	5,461,043
TOTAL LIABILITIES AND NET ASSETS	$ 7,847,420	$ 7,039,556

See accompanying notes to the combined financial statements.

NEW REACH, INC. AND AFFILIATE LIFE HAVEN, INC.
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Changes in Unrestricted Net Assets	2014	2013
SUPPORT AND REVENUES		
Grants	$ 4,266,539	$ 4,018,905
Contributions	611,176	388,092
Special Events, net of expense of $27,007 for 2014 and $18,514 for 2013	165,791	138,726
Rental Income	344,152	361,120
Investment Income	4,527	809
Other Support Revenue	48,119	123,487
Net Assets Released from Restrictions	102,685	21,930
Total Support and Revenues	5,542,989	5,053,069
EXPENSES		
Program Services:		
Family Stabilization Services	1,336,112	1,176,230
Martha's Place & CareWays Shelters	839,517	669,326
Supportive Housing	1,354,735	1,334,034
Life Haven Shelter & Child Enrichment	712,196	923,035
Total Program Services	4,242,560	4,102,625
Support Services:		
General and Administrative	741,167	628,091
Development	362,285	380,689
Total Support Services	1,103,452	1,008,780
Total Expenses	5,346,012	5,111,405
Change in unrestricted net assets from operations	196,977	(58,336)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	5,358,358	5,416,694
UNRESTRICTED NET ASSETS, END OF YEAR	$ 5,555,335	$ 5,358,358
Changes in Temporarily Restricted Net Assets		
Contributions	$ -	$ 100,000
Restrictions released, contributions	(102,685)	(21,930)
Change in temporarily restricted net assets	(102,685)	78,070
TEMPORARILY RESTRICTED NET ASSETS, BEGINNING OF YEAR	102,685	24,615
TEMPORARILY RESTRICTED NET ASSETS, END OF YEAR	$ -	$ 102,685
TOTAL CHANGE IN NET ASSETS	$ 94,292	$ 19,734

See accompanying notes to the combined financial statements.

NEW REACH, INC. AND AFFILIATE LIFE HAVEN, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	Program Services					Support Services				
	Family Stabilization Services	Martha's Place & CareWays Shelters	Life Haven Shelter & Child Enrichment	Supportive Housing	Total Program Services	General and Administrative	Development	Total Support Services	2014 Total Expenses	2013 Total Expenses
Salaries & Wages	$ 614,325	$ 488,915	$ 409,897	$ 379,565	$1,892,702	$ 482,549	$ 195,400	$ 677,949	$2,570,651	$2,367,319
Payroll Taxes & Fringe Benefits	114,333	112,043	79,501	93,996	399,873	66,467	33,601	100,068	499,941	411,893
Rent	30,005	1,357	19,213	14,975	65,550	30,961	45,967	76,928	142,478	158,770
Property Taxes	-	-	-	37,982	37,982	-	260	260	38,242	31,554
Meetings	2,098	14,549	14,169	3,000	33,816	7,062	1,860	8,922	42,738	50,476
Utilities	-	42,602	44,020	39,361	125,983	-	28	28	126,011	132,147
Repairs & Maintenance	1,256	56,654	51,606	106,630	216,146	6,100	5,117	11,217	227,363	235,274
Travel	24,623	604	122	12,735	38,084	3,780	411	4,191	42,275	37,741
Professional Development	2,145	610	225	2,873	5,853	4,130	8,047	12,177	18,030	18,070
Security	-	-	-	-	-	-	-	-	-	2,409
Office Expense & Supplies	19,916	26,501	24,161	55,185	125,763	27,410	24,222	51,632	177,395	217,985
Communications	11,186	7,961	7,250	13,296	39,693	6,705	1,961	8,666	48,359	39,429
Computer Expenses	37,771	8,652	5,718	10,621	62,762	41,816	6,050	47,866	110,628	78,397
General Insurance	3,272	24,340	17,370	39,489	84,471	1,216	4,406	5,622	90,093	80,058
Professional Fees	1,173	592	10,927	1,469	14,161	56,988	15,847	72,835	86,996	177,983
Contractual Services	305,118	-	14,000	85,106	404,224	-	-	-	404,224	349,422
Client Services	161,556	280	2,063	310,687	474,586	-	12,992	12,992	487,578	428,922
Interest	-	8,344	3,259	16,051	27,654	2,470	3,427	5,897	33,551	30,862
Depreciation and Amortization Expense	-	40,355	5,557	147,345	193,257	3,513	2,689	6,202	199,459	194,678
Allocation of QA Costs	7,335	5,158	3,138	(15,631)	-	-	-	-	-	-
Loss on write down of Assets	-	-	-	-	-	-	-	-	-	68,016
TOTAL	$1,336,112	$ 839,517	$ 712,196	$1,354,735	$4,242,560	$ 741,167	$ 362,285	$1,103,452	$5,346,012	$5,111,405

See accompanying notes to the combined financial statements.

NEW REACH, INC. AND AFFILIATE LIFE HAVEN, INC.
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 94,292	$ 19,734
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation expense	196,314	191,533
Amortization of Mortgage Costs	3,145	3,145
Loss on write down of assets	-	68,016
Change in the value of investments	(8,266)	(2,580)
(Increase) in Operating Assets:		
Grants and Contracts Receivable	(57,148)	(105,797)
(Decrease) Increase in Operating Liabilities:		
Deferred Revenue	(290,827)	464,796
Accounts Payable and Accrued Expenses	83,577	(89,582)
Net Cash Provided by Operating Activities	21,087	549,265
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(474,686)	(70,032)
(Increase) in Housing Development Costs	(1,051,080)	(20,371)
(Increase) Decrease in Other Assets	(3,507)	39,147
Net Cash (Used) by Investing Activities	(1,529,273)	(51,256)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Proceeds	988,000	50,000
Principal Payments on Debt	(67,178)	(15,895)
Net Cash Provided by Financing Activities	920,822	34,105
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(587,364)	532,114
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,026,234	494,120
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 438,870	$ 1,026,234

See accompanying notes to the combined financial statements.

1. NATURE OF ORGANIZATION

On June 1, 2014, New Haven Home Recovery, Inc. officially changed its name to New Reach, Inc. The name is meaningful not only as a concept, but represents the philosophy our staff and clients practice every day. The name represents our reach toward our goals and we are reaching for solutions to end homelessness and family instability.

It is the mission of New Reach, Inc. (NR) 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 August 22, 2012 Life Haven, Inc. became a wholly controlled affiliate of New Reach, Inc.

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): NR 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 NR.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

This summary of significant accounting policies of NR and LH is presented to assist in understanding the Organizations' financial statements. The financial statements and notes are the representations of NR 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 $0 and $102,685 in temporarily restricted net assets at June 30, 2014 and 2013, respectively. There were no permanently restricted net assets at June 30, 2014 and 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 shown with investments and 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 statements 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2014 and 2013 was $196,314 and $191,533, respectively.

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 income in the accompanying combined statements of financial position.

Income Taxes

NR and LH are not-for-profit organizations that are exempt from federal 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).

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 fiscal years ended after June 30, 2010 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

NR received $13,671 in food donations for the CareWays, Martha’s Place and Life Haven Shelters from Connecticut Food Bank during the fiscal year ended June 30, 2014.

Supplemental Disclosure of Cash Flow Information

Cash paid for interest expense was $33,551 and $30,800 for the years ended June 30, 2014 and 2013, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Reclassifications
Certain reclassifications have been made to the June 30, 2013 financial statements to conform to the June 30, 2014 presentation.

Evaluation of Subsequent Events
Management has evaluated subsequent events through October 16, 2014, the date on which the financial statements were available to be issued.

3. FAIR VALUE OF FINANCIAL ASSETS

FASB ASC 820, *Fair Value Measurements*, governs the application of accounting principles generally accepted in the United States of America that require fair value measurements of the Organization's assets and liabilities. Fair value as defined in ASC 820 is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 established a three tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the financial instruments as noted below:

- *Level 1* - quoted prices in active markets for identical inputs.
- *Level 2* - other significant observable inputs.
- *Level 3* - significant unobservable inputs (including the Organization's own assumptions in determining fair value).

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.

The Organization's financial instruments consist of cash and cash equivalents, receivables, other assets, accounts payable, accrued liabilities and debt. These instruments approximate their fair values as of June 30, 2014 and 2013 due to their short-term nature.

4. PROPERTY AND EQUIPMENT

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

	2014	2013
Land and Buildings	$ 5,241,106	$ 5,241,105
Leasehold Improvements	1,519,767	1,519,767
Furniture and Equipment	162,473	155,663
Improvements	1,467,607	1,019,681
Less: Accumulated Depreciation	(2,919,381)	(2,743,016)
	$ 5,471,572	$ 5,193,200

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

	2014	2013
Buildings	$ 1,642,404	$ 1,642,404
Equipment	6,560	-
Land	634,232	634,232
Less: Accumulated Depreciation	(310,224)	(255,480)
	$ 1,972,972	$ 2,021,156

4. PROPERTY AND EQUIPMENT (continued)

Selected details of Treadwell Commons as of June 30 are as follows:

	2014	2013
Unamortized Mortgage Costs at June 30,	$ 77,128	$ 78,520
Depreciation Expense	54,744	54,741
Amortization Expense	1,392	1,392
Cash Balances:		
CHFA Good Faith Estimate	7,781	7,769
Security Deposits	1,763	1,763
Reserves	21,156	16,361
Operating	31,991	14,640
Escrows - Insurance	11,484	6,348

5. OTHER ASSETS

Other assets at June 30, 2014 and 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 balances at June 30, 2014 and 2013 were $55,476 and $60,454, respectively.

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, 2014 and 2013 were $123,432 and $130,312, 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 balances at June 30, 2014 and 2013 were $175,740 and $178,730, respectively.

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 balances at June 30, 2014 and 2013 were $129,287 and $131,543, respectively.

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. In April 2014 the note was rolled into a larger bridge loan to finance the housing development project, Sanford Commons. This loan is due the earlier of closing on permanent financing or 2 years. Interest is accrued at 5.5% on the loan of $988,000. Interest will be payable at the time of loan payoff.

Line of Credit
NR 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 balance due on this line during the years ended June 30, 2014 and 2013.

6. NOTES AND MORTGAGES PAYABLE (continued)

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, 2014 and 2013, $50,000 was drawn against the line.

Maturities of the mortgages and notes payable are as follows:

Fiscal Year Ending June 30,		
2015	$	18,262
2016		1,057,103
2017		19,992
2018		20,904
2019		21,863
Thereafter		383,738
		1,521,862
Less: Current Portion		(18,262)
	$	1,503,600

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.

In 2011 the Organization began developing a parcel of land in Hamden, Connecticut. The Organization is awaiting funding from CHFA to complete development which will result in the creation of 33 units of affordable housing for chronically homeless and low-income individuals.

In April 2014 New Reach, Inc. exercised its option to purchase a piece of land in Hamden as part of this development. The purchase was made with a bridge loan from the Corporation for Supportive Housing (CSH). The bridge loan of $988,000, which bears interest of 5.5% per annum, is due upon initial closing of permanent financing or by April 2016, whichever is earlier.

At year end, the following pre-development costs have been incurred for this project:

	2014	2013
Architectural and Engineering	$ 213,814	$ 161,742
Finance and Interim Costs	28,042	-
Soft Costs	151,736	-
Acquisition	750,000	-
	$ 1,143,592	$ 161,742

The Organization anticipates an initial close with the State by December 31, 2014, at which time the bridge loan with CSH (see Note 6) will be repaid and pre-development costs will be reimbursed to the Organization.

During the year, the Organization incurred architectural and engineering costs on a second project of $69,230 for the year ended June 30, 2014. This project, which is in a predevelopment stage, is an affordable housing preservation project which also creates two new units of housing. The Organization has applied for financing and is waiting for the disposition.

8. LEASING ARRANGEMENTS

NR 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.

NR 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 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, NR 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 and thereafter are as follows:

Fiscal Year Ending June 30,	
2015	$154,453
2016	129,857
2017	133,721
2018	139,378
2019	143,154
Thereafter	114,463
	$815,026

9. CONTINGENT LIABILITIES

On September 10, 2007, NR 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 NR is prohibited from selling, assigning or transferring the property. If the property generates surplus cash, to be determined on an annual basis, NR 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, NR 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 NR complies with these provisions and requirements, all indebtedness with regards to the development will be forgiven.

9. CONTINGENT LIABILITIES (continued)

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. The amount was taken into income upon receipt of the cash. This non-recourse forgivable loan is secured by the property.

NR 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 year end 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.

NR 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 had a lien on the property for the amount of this grant, which expired 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.

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.

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, 2014 and 2013 the Organization made no matching contributions.

12. TEMPORARILY RESTRICTED NET ASSETS

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

	2014	2013
The Catholic Charity League (mattress)	$ -	$ 2,910
Hunger and Homelessness	-	6,775
Renovations	-	93,000
Total	$ -	$ 102,685

13. RELATED PARTIES

New Reach, Inc., Life Haven, Inc. and Sanford Commons, LLC share the same management and are thus related parties.

Consolidation

Life Haven, Inc. is a 501(c)(3) organization 100% wholly controlled by New Reach, Inc. and is included in these consolidated financial statements. Sanford Commons, LLC is a sole member LLC created to develop, hold and operate the affordable housing project known as Sanford Commons. As a sole member, it is considered a disregarded entity and operations are included in these statements and in the year ended 990 for New Reach, Inc.