



LONDON & COMPANY, LLC

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Friendship Service Center of New Britain, Inc.
85 Arch Street, P. O. Box 1896
New Britain, Connecticut 06050-1896

Report on the Financial Statements

We have audited the accompanying financial statements of Friendship Service Center of New Britain, Inc. (a not-for-profit corporation), 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 ended, and 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 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 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 Friendship Service Center of New Britain, 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.

Report on Summarized Comparative Information

We have previously audited Friendship Service Center of New Britain, Inc.'s financial statements as of and for the year ended June 30, 2015 and we expressed an unmodified audit opinion on those financial statements and, in our report dated October 24, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated September 30, 2016, on our consideration of Friendship Service Center of New Britain, Inc.'s internal control over financial reporting and 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 the 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 Friendship Service Center of New Britain, Inc.'s internal control over financial reporting and compliance.

Respectfully submitted,

London & Company, LLC

London & Company, LLC
Certified Public Accountants
Farmington, Connecticut
September 30, 2016

I. Independent Auditors' Report.

II. Financial Statements:

Exhibit A - Comparative Statement of Financial Position as of June 30, 2016 and June 30, 2015.

Exhibit B - Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2016 with Comparative Totals for the Year Ended June 30, 2015.

Exhibit C - Statement of Functional Expenses for the Year Ended June 30, 2016 with Comparative Totals for the Year Ended June 30, 2015.

Exhibit D - Comparative Statement of Cash Flows for the Years Ended June 30, 2016 and June 30, 2015.

Notes to Financial Statements.

III. Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

IV. Independent Auditor's Report on Schedule of Program Expenses.

V. Schedule 1 – Program Expenses for the Year Ended June 30, 2016.

FRIENDSHIP SERVICE CENTER OF NEW BRITAIN, INC.
NEW BRITAIN, CONNECTICUT
COMPARATIVE STATEMENT OF FINANCIAL POSITION

	June 30,	
	2016	2015
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 1,127,081	\$ 1,088,194
Receivables	15,338	61,985
Prepaid expenses	30,152	9,012
Total Current Assets	1,172,571	1,159,191
<u>Long Term Investments and Non-Current Cash</u>	1,350,840	1,431,149
<u>Property and Equipment - net</u>	9,728,793	10,031,158
<u>Other Asset:</u>		
Escrow - Deposit	211,433	212,082
<u>TOTAL ASSETS</u>	\$ 12,463,637	\$ 12,833,580
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts payable and accrued expenses	\$ 139,245	\$ 152,004
Deferred revenues	5,900	-
Security deposit	11,841	11,486
Funds held for the benefit of clients	63,792	46,191
Total Current Liabilities	220,778	209,681
<u>Long-Term Liability:</u>		
Mortgage payable	6,866,395	6,866,395
<u>Net Assets:</u>		
Unrestricted net assets:		
Operating	1,163,226	1,158,313
Board designated	1,350,840	1,431,149
Property and equipment (net of debt)	2,862,398	3,164,763
Total Unrestricted Net Assets	5,376,464	5,754,225
Temporarily restricted net assets	-	3,279
Total Net Assets	5,376,464	5,757,504
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 12,463,637	\$ 12,833,580

See Accompanying Notes

FRIENDSHIP SERVICE CENTER OF NEW BRITAIN, INC.
NEW BRITAIN, CONNECTICUT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016, WITH COMPARATIVE
TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>	<u>Totals 2015</u>
<u>Support and Revenue:</u>				
Contributions and grants	\$ 355,871	\$ -	\$ 355,871	\$ 311,302
Grants from governmental agencies	-	1,995,192	1,995,192	2,110,346
Program fees	118,357	-	118,357	136,850
Net investment gain	82,077	-	82,077	77,982
Rental income	24,013	-	24,013	22,800
Net assets released from restrictions	<u>1,998,471</u>	<u>(1,998,471)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>2,578,789</u>	<u>(3,279)</u>	<u>2,575,510</u>	<u>2,659,280</u>
<u>Expenses:</u>				
Program services -				
Shelter and kitchen	610,594	-	610,594	630,959
Transitional living	468,550	-	468,550	471,316
Rapid Re-Housing	42,911	-	42,911	107,315
Emergency Needs	22,103	-	22,103	17,183
Supportive Housing	1,501,703	-	1,501,703	1,510,695
Support services	<u>178,207</u>	<u>-</u>	<u>178,207</u>	<u>141,775</u>
Total Expenses	<u>2,824,068</u>	<u>-</u>	<u>2,824,068</u>	<u>2,879,243</u>
<u>Excess of Revenue Over (Under) Expenses</u>	<u>(245,279)</u>	<u>(3,279)</u>	<u>(248,558)</u>	<u>(219,963)</u>
<u>Other Changes in Unrestricted Net Assets</u>				
Unrealized gain (loss) on investments	<u>(132,482)</u>	<u>-</u>	<u>(132,482)</u>	<u>(94,619)</u>
<u>Total Change in Net Assets</u>	<u>(377,761)</u>	<u>(3,279)</u>	<u>(381,040)</u>	<u>(314,582)</u>
<u>Net Assets - Beginning</u>	<u>5,754,225</u>	<u>3,279</u>	<u>5,757,504</u>	<u>6,072,086</u>
<u>Net Assets - Ending</u>	<u>\$ 5,376,464</u>	<u>\$ -</u>	<u>\$ 5,376,464</u>	<u>\$ 5,757,504</u>

See Accompanying Notes

FRIENDSHIP SERVICE CENTER OF NEW BRITAIN, INC.
NEW BRITAIN, CONNECTICUT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016, WITH COMPARATIVE
TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Program Services	Management and General	<u>Totals</u>	
			<u>2016</u>	<u>2015</u>
Salaries	\$ 1,045,408	\$ 123,247	\$ 1,168,655	\$ 1,126,236
Fringe benefits	<u>246,271</u>	<u>30,953</u>	<u>277,224</u>	<u>230,826</u>
Total salaries and fringe benefits	1,291,679	154,200	1,445,879	1,357,062
Food	19,122	-	19,122	21,299
Supplies and materials	58,381	11,857	70,238	81,584
Postage	2,960	1,258	4,218	4,270
Telephone	11,059	193	11,252	9,307
Utilities	135,428	227	135,655	145,479
Security monitoring	3,889	335	4,224	827
Insurance	62,721	807	63,528	72,985
Maintenance and repairs	238,756	-	238,756	221,534
Conferences and meetings	3,769	771	4,540	3,059
Contracted services	-	-	-	67,991
Professional fees	6,257	3,230	9,487	14,921
Travel	11,488	174	11,662	8,794
Dues and fees	2,392	942	3,334	3,049
Advertising	1,163	108	1,271	464
Loss on disposal of equipment	-	-	-	880
Direct Client Support	438,213	-	438,213	504,178
Real estate tax	27,454	-	27,454	27,454
Miscellaneous	<u>6,137</u>	<u>158</u>	<u>6,295</u>	<u>6,474</u>
Total Expenses Before Depreciation	2,320,868	174,260	2,495,128	2,551,611
Depreciation	<u>324,993</u>	<u>3,947</u>	<u>328,940</u>	<u>327,632</u>
<u>Total Expenses</u>	\$ <u>2,645,861</u>	\$ <u>178,207</u>	\$ <u>2,824,068</u>	\$ <u>2,879,243</u>

See Accompanying Notes

FRIENDSHIP SERVICE CENTER OF NEW BRITAIN, INC.
NEW BRITAIN, CONNECTICUT
COMPARATIVE STATEMENT OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents

	For the Years Ended	
	June 30,	
	2016	2015
<u>Cash Flows From Operating Activities:</u>		
Changes in net assets	\$ (381,040)	\$ (314,582)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	328,940	327,632
Realized and unrealized (gain) / loss on investments	76,232	48,243
Change in assets and liabilities:		
Increase / Decrease in Assets and Liabilities:		
Receivables	46,647	146,299
Prepaid expenses	(21,140)	25,016
Accounts payable and accrued expenses	(12,759)	34,477
Deferred revenues	5,900	(71,462)
Security Deposit	355	96
Funds held for the benefit of clients	17,601	(7,861)
Total Adjustments	441,776	502,440
Net Cash Provided By (Used In) Operating Activities	60,736	187,858
<u>Cash Flows From Investing Activities:</u>		
Capital expenditures	(26,575)	(121,406)
Proceeds and purchases of long-term investments (net)	4,077	(52,901)
Net Cash Provided By (Used In) Investing Activities	(22,498)	(174,307)
<u>Cash Flows From Financing Activities:</u>		
Escrow - Deposit	649	(13,063)
Net Cash Provided By (Used In) Financing Activities	649	(13,063)
<u>Net Increase (Decrease) In Cash and Cash Equivalents</u>	38,887	488
<u>Cash and Cash Equivalents - Beginning of Year</u>	1,088,194	1,087,706
<u>Cash and Cash Equivalents - End of Year</u>	\$ 1,127,081	\$ 1,088,194

See Accompanying Notes

FRIENDSHIP SERVICE CENTER OF NEW BRITAIN, INC.
NEW BRITAIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 1 - Organization Description:

The Friendship Service Center of New Britain, Inc. (the "Organization") operates as a voluntary not-for-profit organization providing direct services to the poor, needy and homeless men, women and children in the greater New Britain area in the form of housing assistance, (emergency shelter, transitional housing and permanent supportive housing), community kitchen, emergency needs assistance for individuals and families and outreach to those still living on the streets.

The Organization owns and operates three buildings: The Virginia C. Davis Friendship Service Center Building (Davis Building) is located at 241-249 Arch Street, The American Savings Foundation Building (Foundation Building) is located at 85 Arch Street and the Ellen Perkins Simpson Building (Simpson Building) is located at 57-61 Arch Street. The Davis Building has been in operation since it was renovated in 1992. The Simpson Building was purchased by the Organization in 2000 (when it was known as the Vega Building). Renovation of the building was completed in 2010 at which time it was renamed the Simpson Building. The Organization purchased 85 Arch Street in 2005. The building was demolished in 2008 and a new structure, now known as the Foundation Building, was completed in 2010. Both the Foundation Building and the Simpson Building were built and renovated respectively through the Next Steps State Program with funding from the Connecticut Housing Finance Authority, the United States Department of Housing and Urban Development, and private funds raised through a capital campaign.

The Davis Building houses the Emergency Shelter, Transitional Living Program, Community Kitchen, PATH program (outreach to those living on the streets), PEAK Program (scattered site permanent supportive housing) and staff offices. The Foundation Building houses the Emergency Needs Program, Arch Street Housing Program (case management for the permanent supportive housing units at 59 and 85 Arch Street), New Britain Rapid Rehousing Program, Home at Last Program (case management services only for permanent supportive housing subsidies provided by the State of Connecticut), administrative offices, staff offices, Property Management offices, a police sub-station, a computer resource room for client use, a Conference/Board Room and 12 project based permanent supportive housing apartments (ASH). The Simpson Building houses 9 project based permanent supportive housing apartments (ASH). Human Resources Agency of New Britain, Inc. leases 57 Arch. The Arch Street Market, owned by Ahmad Gahalf, leases 61 Arch.

Note 2 - Accounting Policies:

A. Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization, and changes therein, are classified and reported as follows:

Unrestricted net assets:

Net assets that are not subject to donor-imposed stipulations.

FRIENDSHIP SERVICE CENTER OF NEW BRITAIN, INC.
NEW BRITAIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 2 - Accounting Policies (Continued):

A. Basis of Presentation (continued):

Temporarily restricted net assets:

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

B. Income Tax Status:

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). There was no unrelated business income for the years ended June 30, 2016 and 2015. As of June 30, 2016 and 2015, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The federal information returns of the Organization are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

C. Contributions and Grants:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenue from contract grants is recognized as the Organization fulfills the terms of the contract. The excess of cash received on contract grants over revenue earned is included in the accompanying balance sheet as temporarily restricted net assets.

D. Donated Materials and Services:

The Organization receives, at times, donated food, materials and volunteer assistance from various sources. For donated food, materials and services where no objective basis of valuation exists for all such items and hours, they are not reflected in the accompanying financial statements. Management estimates it received donated services valued at between \$100,000 to \$150,000.

E. Functional Expenses:

Expenses are charged to programs based on direct expenses incurred. Any program expenses not directly chargeable are allocated to programs based on direct program employee hours to total employee hours or direct program square footage to total square footage, whichever is appropriate.

FRIENDSHIP SERVICE CENTER OF NEW BRITAIN, INC.
NEW BRITAIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
 (Continued)

Note 2 - Accounting Policies (Continued):

F. Comparative Totals

The financial statements include prior-year summarized comparative information in total but not by net asset class. 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 the entity's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

G. Property, Plant and Equipment:

All acquisitions or donations of fixed assets are recorded at cost or their fair market value at the date of the gift. Depreciation is provided for over the estimated useful lives of the assets on a straight-line basis. The Organization capitalizes all expenditures for equipment in excess of \$2,000.

A summary of property, plant and equipment is as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 295,911	\$ 285,911
Building and improvements	12,366,236	12,353,509
Equipment and furnishings	<u>262,150</u>	<u>258,302</u>
Subtotal	12,924,297	12,897,722
Less: Accumulated Depreciation	<u>3,195,504</u>	<u>2,866,564</u>
Net Book Value	<u>\$ 9,728,793</u>	<u>\$10,031,158</u>

H. Depreciation:

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	27 - 40 years
Equipment and furnishings	3 - 10 years

Depreciation expense for the years ended June 30, 2016 and 2015, is \$328,940 and \$327,632, respectively.

I. 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.

Note 3 - Temporarily Restricted Assets:

At June 30, 2016 and 2015, temporarily restricted net assets were \$0 and \$3,279, respectively for the Emergency Needs Program.

FRIENDSHIP SERVICE CENTER OF NEW BRITAIN, INC.
NEW BRITAIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 4 - Supplemental Cash Flow Information:

There was no interest expense or income tax expense for either of the years ended June 30, 2016 and 2015.

Note 5 - Retirement Plan:

The Organization has a retirement plan (Section 403B Plan) which is comprised entirely of voluntary employee contributions.

Note 6 - Investments –fair value measurements:

The investments consist of equity mutual funds, money market funds, bonds, certificate of deposits, government asset backed securities, and corporate trusts. The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at their fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions. Unrealized gains and losses are included in the statement of activities and change in net assets.

Cost and fair value of investments at June 30, 2016 were as follows:

	<u>Cost</u>	<u>Unrealized Gains/ (Losses)</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Fair Value</u>
Equity and Bond Mutual Funds	\$ 1,126,194	\$ (14,495)	\$1,111,699	\$ 1,111,699
Money Market Funds	232,493	-	232,493	232,493
CFGNB Endowment fund	<u>6,648</u>	<u>-</u>	<u>6,648</u>	<u>6,648</u>
Total	<u>\$ 1,365,335</u>	<u>\$ (14,495)</u>	<u>\$ 1,350,840</u>	<u>\$ 1,350,840</u>

Cost and fair value of investments at June 30, 2015 were as follows:

	<u>Cost</u>	<u>Unrealized Gains/ (Losses)</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Fair Value</u>
Equity and Bond Mutual Funds	\$1,108,390	\$ 97,116	\$1,205,506	\$1,205,506
Money Market Funds	218,982	-	218,982	218,982
CFGNB Endowment fund	<u>6,661</u>	<u>-</u>	<u>6,661</u>	<u>6,661</u>
Total	<u>\$1,334,033</u>	<u>\$ 97,116</u>	<u>\$1,431,149</u>	<u>\$1,431,149</u>

FRIENDSHIP SERVICE CENTER OF NEW BRITAIN, INC.
NEW BRITAIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6 - Investments –fair value measurements:

The following schedule summarizes the unrestricted investment return and its classification in the statement of activities for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 38,136	\$ 44,680
Realized gain (loss) on investments	56,520	46,376
Investment expenses	<u>(12,579)</u>	<u>(13,074)</u>
Total	\$ <u>82,077</u>	\$ <u>77,982</u>

Note 7 - Board Designated Unrestricted Net Assets:

On October 7, 1993, the Board of Directors of the Organization created an endowment fund with the excess contributions from the capital project campaign. During the year ended June 30, 1998, a Board of Trustees was created to manage the endowment fund. The Board of Directors felt the creation of a permanent endowment fund best met the donor's intention of contributing to the long-term viability of the organization. In addition, during 1998, the Board of Directors designated bequests of \$545,500 to the endowment fund as the Board felt the gifts were intended to help sustain the Organization over the long term. All endowment fund assets have been classified as unrestricted net assets, as the Board of Trustees and Board of Directors, by a two-thirds vote of each, has the right to invade the principal of board designated funds. Board designated unrestricted net assets, were \$1,350,840 and \$1,431,149 for the years ended June 30, 2016 and 2015, respectively.

Note 8 - Lease Commitments:

On May 14, 2009, the Organization entered in a lease for twenty four (24) parking spaces. The term of the lease is for ten years. The lease term is April 1, 2010 to March 31, 2020. The lease contains three (3) successive ten (10) year renewal terms. The monthly lease payment is \$360.

At June 30, 2016, future minimum lease payments over the term of the lease are as follows:

June 30, 2017	\$ 4,320
June 30, 2018	4,320
June 30, 2019	4,320
June 30, 2020	<u>3,240</u>
Total	\$ <u>16,200</u>

Note 9 - Concentration of revenue:

For the year ended June 30, 2016 and 2015, approximately 82% and 79%, respectively of the Organization's funding came from Government grants.

FRIENDSHIP SERVICE CENTER OF NEW BRITAIN, INC.
NEW BRITAIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 10 - Concentration of Credit Risk:

The Organization maintains cash balances in excess of \$250,000 at a bank, which is insured by the Federal Deposit Insurance Corporation for amounts up to \$250,000. At June 30, 2016 and 2015, the Organization's uninsured cash balance was \$384,292 and \$373,623, respectively. The Organization used the funds for payments made in early July 2016. In July 2016, management also opened a new account moving \$250,000 to another bank to mitigate the credit risk.

Note 11 - Major Sources of Grant Revenues:

A. United States Department of Housing and Urban Development -

a. Transitional Living Program:

The Organization received a Grant from the United States Department of Housing and Urban Development (HUD) for the period July 1, 2015 to June 30, 2016. In the year ended June 30, 2016, the Organization received \$210,007, all of which was earned. During the year ended June 30, 2015, the Organization received \$210,007, all of which was earned.

b. Permanent Supportive Housing - Arch Street Housing:

The Organization received a grant from March 1, 2016 through February 28, 2017 for \$125,132. During the year ended June 30, 2016 \$41,711 was earned. The Organization also received a grant from March 1, 2015 through February 28, 2016 for \$121,653. During the years ended June 30, 2016 and 2015, \$81,860 and \$39,793 was earned, respectively.

c. Permanent Supportive Housing for Persons with Disabilities (PEAK):

The Organization received a grant from the United States Department of Housing and Urban Development (HUD). In the years ended June 30, 2016 and June 30, 2015, the Organization received and earned \$537,421 and \$529,999, respectively.

B. State of Connecticut - Department of Mental Health and Addiction Services:

The Organization received a grant of \$497,977 and \$474,285 for the years ended June 30, 2016 and 2015, respectively from the Department of Mental Health and Addiction Services to provide assistance with the Organization's Shelter and Kitchen Program, PATH Outreach Program, Home at Last Program, Permanent Supportive Housing Program, and SOAR Program. \$497,977 and \$474,285 was earned during the years ended June 30, 2016 and 2015, respectively.

In collaboration with other non-profit agencies, the organization received a grant of \$28,500 and \$57,000 for the years ended June 30, 2016 and 2015, respectively from the Community Mental Health Affiliates for the West Central Next Step Permanent Supportive Housing Initiative. In the years ended June 30, 2016 and 2015, \$28,500 and \$57,000 was received and earned, respectively.

FRIENDSHIP SERVICE CENTER OF NEW BRITAIN, INC.
NEW BRITAIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 11 - Major Sources of Grant Revenues (Continued):

C. State of Connecticut – Department of Housing:

- a. The Organization received a grant from the Department of Housing to provide assistance to the Organization for its Supportive Housing Program. \$182,306 and \$173,589 was earned during the years ended June 30, 2016 and 2015, respectively.
- b. The Organization received a grant from the Department of Housing to assist the Organization in its Transitional Living Program. \$48,947 was earned each year ended June 30, 2016 and June 30, 2015.
- c. The Organization received grants from the Department of Housing to provide assistance to the Organization for its Emergency Shelter Program. \$225,000 and \$215,731 was earned during the years ended June 30, 2016 and 2015, respectively.

D. City of New Britain Commission on Community and Neighborhood

a. Development - Emergency Solutions Grant (ESG):

The Organization has received a grant from the City of New Britain - Homeless Shelter/Community Kitchen Grant Programs. The grants provide assistance for its shelter, overflow shelter and kitchen program. \$88,601 was earned during the year ended June 30, 2015.

b. Rapid Re-Housing Program (RR):

The Organization was designated a sub-recipient agency by the City of New Britain for implementation of the RR program. The grant was from the City of New Britain. During the years ended June 30, 2016 and June 30, 2015, \$42,911 and \$107,315 was earned, respectively.

E. United States Department of Veterans Affairs:

The Organization received an ongoing grant that is automatically renewed from the Department of Veterans Affairs to provide transitional housing and supportive services to single veterans. \$68,087 and \$72,236 was earned during the years ended June 30, 2016 and 2015, respectively.

F. Hartford County Emergency Food and Shelter Program:

For the year ended June 30, 2016 and 2015, the Organization received and earned \$19,775 and \$0, respectively.

Note 12 - Subsequent Events:

Management has evaluated subsequent events through September 30, 2016, the date which the financial statements were available to be issued.

FRIENDSHIP SERVICE CENTER OF NEW BRITAIN, INC.
NEW BRITAIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 13 - Contingencies:

- a. Grants require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions can result in the return of funds to grantors. The Organization's contract with the Connecticut Department of Mental Health and Addiction Services requires a portion of the Organization's operating surplus to be returned to the commission unless the commission agrees to apply the funds to a future period.

- b. As part of the \$1,170,020 grant from the State of Connecticut Department of Housing, the Department has a lien on the property located at 241-249 Arch Street in New Britain, Connecticut, which was to remain on the property for ten years (July 1, 1992 to June 30, 2003) to ensure that the Organization operates the programs specified under the grant terms. The lien was sold to Connecticut Housing Finance Authority (CHFA). As of June 30, 2016, the lien was still on the property and held by the CHFA asset management department.

Note 14 - Mortgage Payable \ Escrow Deposit:

On May 29, 2009, the Organization executed a promissory note for \$6,866,395, payable to the Connecticut Housing Finance Authority. The mortgage proceeds were used to newly construct a three story facility consisting of approximately 20,457 square feet, at 85 Arch Street New Britain, CT (completed August 2010) and to renovate a 19,788 square foot building at 57-61 Arch Street New Britain, CT (completed June 2010). The entire project sits on two lots totaling .538 acres and consists of fourteen one bedroom units, three two bedroom units, four three bedroom units, some common spaces, administrative and staff offices, retail spaces, and a police sub-station.

Interest shall accrue at 4% per annum on the principal advanced. No payments of interest or principal are due and payable during the term of the loan until maturity except for annual payments of interest or principal which may be payable from surplus cash from the project. Pursuant to the terms of the loan, there are circumstances under which the loan and accrued interest would be forgiven at maturity. Since the Organization is not required to pay the accrued interest it has not been included in the financial statements. At June 30, 2016 and 2015 the amount of accrued interest was \$1,719,585 and \$1,444,929, respectively. At June 30, 2016 and 2015 the mortgage balance was \$6,866,395.

The Organization has deposited in escrow with the Connecticut Housing Finance Authority for the years ended June 30, 2016 and 2015, \$211,433 and \$212,082, respectively. The escrow funds are to be held as satisfaction of the taxes, insurance, replacement reserves, operating reserves and working capital deposit requirements set forth in the mortgage commitment letter.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of the
Friendship Service Center of New Britain, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Friendship Service Center of New Britain, 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 September 30, 2016.

Compliance and Other Matters

As part of obtaining responsible assurance about whether Friendship Service Center of New Britain, 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.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Friendship Service Center of New Britain, 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 the Friendship Service Center of New Britain, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the organization'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 financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination or deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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

Very truly yours,

London & Company, LLC

London & Company, LLC
Certified Public Accountants

September 30, 2016



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INDEPENDENT AUDITOR'S REPORT
ON SCHEDULE OF PROGRAM EXPENSES

Board of Directors
Friendship Service Center of New Britain, Inc.
New Britain, Connecticut 06050

Our report on our audit of the basic financial statements of Friendship Service Center of New Britain, Inc. as of, and for the year ended, June 30, 2016 appears on page one. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Program Expenses on Schedule 1 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Very truly yours,

London & Company, LLC

London & Company, LLC
Certified Public Accountants

September 30, 2016

FRIENDSHIP SERVICE CENTER OF NEW BRITAIN, INC.
NEW BRITAIN, CONNECTICUT
STATEMENT OF PROGRAM EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Transitional Living	Shelter and Kitchen	Supportive Housing	Emergency Needs	Rapid Rehousing	Total Program Services
Salaries	\$ 251,583	\$ 346,224	\$ 433,757	\$ 4,568	\$ 9,276	\$ 1,045,408
Fringe benefits	60,004	84,700	98,847	586	2,134	246,271
Total salaries and fringe benefits	311,587	430,924	532,604	5,154	11,410	1,291,679
Food	9,545	9,577	-	-	-	19,122
Supplies and materials	10,550	29,655	18,016	160	-	58,381
Postage	819	969	1,159	13	-	2,960
Telephone	1,585	2,338	7,127	9	-	11,059
Utilities	26,761	26,409	82,258	-	-	135,428
Security monitoring	803	950	2,133	3	-	3,889
Insurance	10,544	12,453	39,693	31	-	62,721
Maintenance and repairs	42,644	37,978	158,131	3	-	238,756
Conferences and meetings	647	1,310	1,806	6	-	3,769
Professional fees	1,627	2,152	2,376	102	-	6,257
Travel	345	1,201	9,942	-	-	11,488
Dues and fees	300	1,699	389	4	-	2,392
Advertising	103	131	927	2	-	1,163
Direct Client Support	-	1,647	388,449	16,616	31,501	438,213
Real estate tax	-	-	27,454	-	-	27,454
Miscellaneous	33	544	5,560	-	-	6,137
Expenses Before Depreciation	417,893	559,937	1,278,024	22,103	42,911	2,320,868
Depreciation	50,657	50,657	223,679	-	-	324,993
<u>Total Expenses</u>	<u>\$ 468,550</u>	<u>\$ 610,594</u>	<u>\$ 1,501,703</u>	<u>\$ 22,103</u>	<u>\$ 42,911</u>	<u>\$ 2,645,861</u>