

FRIENDS OF LAUREL HOUSE, INC.

Financial Statements
for the years ended June 30, 2022 and 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Friends of Laurel House, Inc.:

Opinion

We have audited the accompanying financial statements of Friends of Laurel House, Inc. ("Friends") which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, and cash flows for the years then ended and the related notes to the financial statements. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends as of June 30, 2022 and 2021 and the changes in its net assets and its cash flows in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America' and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friend's ability to continue as a going concern for one year from the date of issuance of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

1. Exercise professional judgement and maintain professional skepticism throughout the audit.
2. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
3. Obtain an understanding of internal control relevant to the audit 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 Friend's internal control. Accordingly, no such opinion is expressed.
4. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
5. Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friend's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

August XX, 2022

FRIENDS OF LAUREL HOUSE, INC.
Statements of Financial Position
as of June 30,

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 524,893	\$ 206,365
Short-term investments	861,507	795,158
Due from Laurel House, Inc.	668,889	631,312
Property, and equipment net of accumulated depreciation	252,794	328,557
Other assets	<u>6,026</u>	<u>7,004</u>
Total assets	<u><u>\$ 2,314,109</u></u>	<u><u>\$ 1,968,396</u></u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 99,795	\$ 103,269
Deferred revenue	1,430	74,347
Long-term debt	<u>340,486</u>	<u>365,908</u>
	441,711	543,524
Net assets without donor restriction	<u>1,872,398</u>	<u>1,424,872</u>
Total liabilities and net assets	<u><u>\$ 2,314,109</u></u>	<u><u>\$ 1,968,396</u></u>

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

FRIENDS OF LAUREL HOUSE, INC.
Statements of Activities
for the years ended June 30,

	<u>2022</u>	<u>2021</u>
Changes in Net Assets Without Donor Restrictions		
Revenues and gains		
Contributions and grants	\$ 1,023,046	\$ 827,986
Rental income, special events, interest and other	<u>148,515</u>	<u>407,506</u>
Total unrestricted revenue and gains	<u>1,171,561</u>	<u>1,235,492</u>
Expenses		
Salaries and benefits	378,722	430,019
Contributions to Laurel House, Inc.	52,000	300,000
Depreciation and amortization	75,763	81,229
Interest	16,189	17,725
Building maintenance and other general and administrative	132,091	89,289
Special events	<u>69,270</u>	<u>902</u>
Total expenses	<u>724,035</u>	<u>919,164</u>
Changes in net assets without donor restrictions	447,526	316,328
Net assets, beginning of year	<u>1,424,872</u>	<u>1,108,544</u>
Net assets, end of year	<u><u>\$ 1,872,398</u></u>	<u><u>\$ 1,424,872</u></u>

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

FRIENDS OF LAUREL HOUSE, INC.
Statements of Cash Flows
Representing Increases (Decreases) in Cash
for the years ended June 30,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
(Decrease) increase in net assets	\$ 447,526	\$ 316,328
Depreciation and amortization	75,763	81,229
Changes in operating assets and liabilities:		
Other assets, accounts payable and accrued expenses, net	(2,963)	28,471
Due from Laurel House, Inc., net	(37,577)	(113,452)
Deferred revenue	<u>(72,917)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>409,832</u>	<u>312,576</u>
Cash flows from financing activities		
Long-term debt principal repayments	<u>(25,422)</u>	<u>(27,354)</u>
Net increase (decrease) in cash and cash equivalents	384,410	285,222
Cash and cash equivalents, beginning of year	<u>1,001,523</u>	<u>716,301</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,385,933</u></u>	<u><u>\$ 1,001,523</u></u>

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

FRIENDS OF LAUREL HOUSE, INC.
Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Activities:

Friends of Laurel House, Inc. ("Friends") is a tax-exempt, nonprofit organization, organized under section 501(c) (3) of the Internal Revenue Code. Friends conducts fund raising activities, and rents business offices and housing facilities to Laurel House, Inc. ("Laurel House"), a related organization under common control through a shared board of directors. Laurel House, located in the southwestern region of Connecticut, offers psychosocial rehabilitation, housing and residential services, education support, and employment placement services for people living with mental illness to lead fulfilling and productive lives in the communities where they live, work, and go to school. Friends was formed to act exclusively as a supporting organization to Laurel House.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principals generally accepted in the United States of America ("US GAAP"). Accordingly, assets are recorded when Friends obtains the rights of ownership or is entitled to claims for receipt, and liabilities are recorded when the obligations is incurred.

Contributions and Promises to Give:

Contributions are recognized when the donor makes an unconditional promise to give. 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 restricted support that increases those net asset classes. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Estimates:

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

Cash and Cash Equivalents:

Cash and cash equivalents consist of bank accounts and all highly liquid investments purchased with a maturity of three months or less.

Fair Value of Financial Instruments:

The carrying values of current assets and liabilities approximate fair value due to the short-term maturities of these assets and liabilities. The carrying amount of the Company's borrowings under its debt arrangements approximates fair value, as the incremental borrowing rates approximate current rates.

Fair value is defined as 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. Generally accepted accounting principles establish a fair market hierarchy which gives the highest priority to observable inputs such as quoted prices in active markets for identical assets and liabilities (Level 1).

FRIENDS OF LAUREL HOUSE, INC.
Notes to Financial Statements

1. **Summary of Significant Accounting Policies (continued)**

Fair Value Measurements (continued)

The next highest priority to inputs from observable data other than quoted prices (Level 2), and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

Friends investments fall within the Level 1 hierarchy. The fair value for the assets reported at fair value are as follows at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Short-term investments		
Cash and equivalents	\$ 74,549	\$ 67,862
Mutual funds - equity	428,573	332,658
Mutual funds - fixed income	<u>358,385</u>	<u>394,638</u>
Total	<u>\$ 861,507</u>	<u>\$ 795,158</u>

Net Assets

Net assets and changes in net assets are classified based on the existence or absence of donor or grantor imposed restrictions as follows:

Net assets without donor restrictions – net assets without donor restrictions are resources available to support operations. The only limits on use of these assets are the broad limits resulting from the nature of Friends, the environment in which it operates, the purposes specified in the corporate documents, and any limits resulting from contractual agreements with creditors and others that are entered into through the course of its operations. In addition, the governing board of Friends may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose and/or in a future period. Some donor restrictions may be temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor imposed restrictions may be perpetual in nature in which case Friends must continue to use the resources in accordance with the donor's instructions.

Friends unspent contributions are included in this class if the donor limited their use.

When a donor's restrictions are satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration is reported in the financial statements by reclassifying the net assets from the net assets with donor restrictions to net assets without donor restrictions.

FRIENDS OF LAUREL HOUSE, INC.
Notes to Financial Statements

1. **Summary of Significant Accounting Policies (continued)**

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the Statement of Activities unless the relevant donor specified the use of the related resources for a particular purpose in a future period.

Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Measure of Operations

In its Statement of Activities, Friends includes in its definition of Operations all revenues and expenses that are an integral part of its programs and activities, as well as net assets released from donor restrictions to support operating expenditures.

Income Taxes:

Friends annually evaluates all federal and state income tax positions. This process includes an analysis of whether income tax positions Friends takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In general, Friends is no longer subject to tax examinations for tax years ending before June 30, 2019.

2. **Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year as of June 30 consist of cash and cash equivalents and short-term investments totaling \$1,386,400 and \$1,001,523 at June 30, 2022 and 2021, respectively.

3. **Long-term Debt**

Long-term debt consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
5.5% note payable to the Housing Development Fund of Lower Fairfield County, Inc. ^(A)	\$ 280,586	\$ 306,008
Non-interest bearing note due May 1, 2030 ^(B)	<u>59,900</u>	<u>59,900</u>
	<u>\$ 340,486</u>	<u>\$ 365,908</u>

(A) The loan is collateralized by mortgages on the 6 Washington Court and 1616 Washington Boulevard properties, and is guaranteed by Laurel House, Inc.

FRIENDS OF LAUREL HOUSE, INC.
Notes to Financial Statements

3. Long-term Debt (continued)

- (B) The note is payable to the Stamford Community Development Program ("SCDP") and is collateralized by a second mortgage on the 6 Washington Court and 1616 Washington Boulevard properties. The provisions of the loan agreement require that Friends maintain certain approved resident selection policies acceptable to SCDP during the term of the loan.

Scheduled principal maturities of long-term debt are approximately as follows in years ending after June 30, 2022: 2023, \$26,857; 2024, \$28,371; 2025, \$29,972; 2026, \$31,662; 2027, \$33,829; thereafter, \$189,795.

Cash paid for interest was \$16,189 and \$17,725 in fiscal years 2022 and 2021, respectively.

4. Property, Plant and Equipment

Property, plant and equipment is recorded at cost and consisted of the following at June 30:

	<u>2022</u>	<u>2020</u>
Land, building and building improvements	\$ 2,865,557	\$ 2,865,557
Website and other	<u>22,686</u>	<u>22,686</u>
	2,888,243	2,888,243
Less, accumulated depreciation	<u>(2,635,450)</u>	<u>(2,559,686)</u>
	<u>\$ 252,794</u>	<u>\$ 328,557</u>

It is the Organization's policy to capitalize asset additions of \$500 or more.

Depreciation is computed using the straight-line method over useful lives of 27½ years for buildings and improvements and 5 to 7 years for furniture and equipment.

5. Related Parties

Friends leases the 6 Washington Court and 1616 Washington Boulevard facilities to Laurel House under operating leases through February 2029 at an annual rental rate of \$150,000. Friends also serves as the principal fund raising organization to Laurel House and makes contributions as needed to support the operating activities of Laurel House.

Friends is also contingently liable as a guarantor of a \$500,000 bank line of credit agreement for Laurel House. There was no balance outstanding under this agreement at June 30, 2022 and 2021.

FRIENDS OF LAUREL HOUSE, INC.
Notes to Financial Statements

6. Commitments

Connecticut Department of Mental Health:

The 6 Washington Court and 1616 Washington Boulevard properties are encumbered by liens in favor of the State of Connecticut with respect to various improvements made by Laurel House that were funded by grant awards from the Connecticut Department of Mental Health and Addiction Services.

7. Concentrations

Cash balances periodically exceed federally insured limits. Friends maintains its cash deposits with a high-credit-quality financial institution and believes there is minimal risk of loss of any portion of cash on deposit.

8. Subsequent Events

Events occurring after June 30, 2022, the date of the most recent balance sheet, have been evaluated for possible adjustment to or disclosure in the financial statements through August XX, 2022, which is the date on which the financial statements were available to be issued.