

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES

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JUNE 30, 2016 AND 2015

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CARNEY, ROY AND GERROL, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hartford Interval House, Inc.
Hartford, Connecticut

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hartford Interval House, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Hartford Interval House, Inc.'s 2015 financial statements, and our report dated November 16, 2015, expressed an unmodified opinion on those audited financial statements. 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by the State Single Audit Act (C.G.S. Sections 4-230 to 4-236) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, on our consideration of Hartford Interval House, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hartford Interval House, Inc.'s internal control over financial reporting and compliance.



Rocky Hill, Connecticut
December 9, 2016

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 48,537	\$ 184,539
Certificate of deposit	1,380	1,380
Grants receivable	203,857	143,417
Investments, at market value	352,001	352,663
Prepaid expenses	<u>23,756</u>	<u>27,262</u>
Total current assets	<u>629,531</u>	<u>709,261</u>
PROPERTY AND EQUIPMENT		
Property and equipment	1,804,849	1,768,739
Less: accumulated depreciation	<u>(1,036,841)</u>	<u>(984,565)</u>
Property and equipment, net	<u>768,008</u>	<u>784,174</u>
TOTAL ASSETS	<u>\$ 1,397,539</u>	<u>\$ 1,493,435</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 36,597	\$ 18,759
Accrued payroll and payroll taxes	49,389	95,033
Accrued severance	92,604	-
Refundable advances	<u>20,000</u>	<u>-</u>
Total current liabilities	<u>198,590</u>	<u>113,792</u>
NET ASSETS		
Unrestricted	695,372	911,656
Temporarily restricted	208,377	172,787
Permanently restricted	<u>295,200</u>	<u>295,200</u>
Total net assets	<u>1,198,949</u>	<u>1,379,643</u>
	<u>\$ 1,397,539</u>	<u>\$ 1,493,435</u>

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

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
SUPPORT					
Contributions	\$ 311,382	\$ -	\$ -	\$ 311,382	\$ 259,064
Grants, governmental	1,057,724	-	-	1,057,724	1,085,692
Grants, private and public	239,861	40,800	-	280,661	284,760
Special events, net of cost	100,007	-	-	100,007	186,270
In kind donations	12,600	-	-	12,600	6,991
REVENUE					
Investment income	16,171	-	-	16,171	8,909
Other income	2,011	-	-	2,011	305
Realized and unrealized loss on investments	(23,363)	-	-	(23,363)	(13,360)
Net assets released from restrictions:					
Satisfaction of program restrictions	<u>5,210</u>	<u>(5,210)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,721,603</u>	<u>35,590</u>	<u>-</u>	<u>1,757,193</u>	<u>1,818,631</u>
EXPENSES					
Program services:					
Shelter	609,764	-	-	609,764	578,561
Outreach programs	521,105	-	-	521,105	655,783
Children's	77,707	-	-	77,707	81,368
Volunteer/community education	72,763	-	-	72,763	114,366
Satellite programs	86,631	-	-	86,631	85,324
Supporting services:					
Management and general	436,594	-	-	436,594	193,049
Fundraising	<u>133,323</u>	<u>-</u>	<u>-</u>	<u>133,323</u>	<u>107,676</u>
Total expenses	<u>1,937,887</u>	<u>-</u>	<u>-</u>	<u>1,937,887</u>	<u>1,816,127</u>
CHANGE IN NET ASSETS	(216,284)	35,590	-	(180,694)	2,504
NET ASSETS, BEGINNING OF YEAR	<u>911,656</u>	<u>172,787</u>	<u>295,200</u>	<u>1,379,643</u>	<u>1,377,139</u>
NET ASSETS, END OF YEAR	<u>\$ 695,372</u>	<u>\$ 208,377</u>	<u>\$ 295,200</u>	<u>\$1,198,949</u>	<u>\$ 1,379,643</u>

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

HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

	Program Services						Fundraising	2016	2015
	Shelter	Outreach Programs	Children's	Volunteers/ Comm. Edu.	Satellite Programs	Management and General			
SALARIES AND RELATED EXPENSES									
Salaries	\$ 302,758	\$ 380,936	\$ 51,392	\$ 49,909	\$ 42,563	\$ 306,427	\$ 1,230,976	\$ 1,160,446	
Payroll Taxes	28,600	34,536	3,867	4,318	3,597	7,471	89,944	95,109	
Employee Benefits	50,831	43,154	7,083	8,057	6,710	41,988	168,226	161,892	
Total Salaries and Related Expenses	382,189	458,626	62,342	62,284	52,870	355,886	1,489,146	1,417,447	
OTHER EXPENSES									
Rent	-	-	-	-	9,050	-	9,050	8,875	
Depreciation	14,956	17,506	2,818	3,697	2,283	5,065	52,276	71,155	
Outside Services	49,459	16,494	2,027	2,522	1,811	33,314	110,986	53,229	
Assistance to Individuals	44,118	-	-	-	-	-	44,118	38,492	
Other Occupancy Costs	28,261	773	176	215	1,696	684	31,969	33,209	
Telephone	9,396	748	-	-	7,176	5,485	22,805	26,531	
Supplies	7,755	122	-	-	-	6,515	14,674	7,201	
Insurance	17,195	19,761	3,046	2,503	4,783	3,685	54,422	54,190	
Repairs and Maintenance	25,777	1,102	2,137	579	2,958	7,268	40,450	43,547	
Postage	753	1,500	-	-	-	1,946	4,199	2,994	
Food	16,106	1,241	3,520	-	-	-	20,867	25,251	
Travel and Conferences	1,103	160	-	916	3,907	2,942	9,243	10,176	
Fundraising Expenses	-	-	-	-	-	-	2,244	4,153	
Dues and Subscriptions	250	-	-	-	40	1,404	1,694	2,689	
Bad Debt	-	-	-	-	-	5,979	-	-	
Investment Fees	-	-	-	-	-	2,111	2,111	2,126	
Miscellaneous	12,446	3,072	1,641	47	57	4,310	21,654	14,862	
Total Other Expenses	227,575	62,479	15,365	10,479	33,761	80,708	448,741	398,680	
Total Expenses	\$ 609,764	\$ 521,105	\$ 77,707	\$ 72,763	\$ 86,631	\$ 436,594	\$ 1,937,887	\$ 1,816,127	

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

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (180,694)	\$ 2,504
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	52,276	71,155
Realized and unrealized loss on investments	23,363	13,360
Changes in operating assets and liabilities:		
Grants and other receivables	(60,440)	11,548
Prepaid expenses and other assets	3,506	(1,125)
Accounts payable	8,256	5,551
Accrued payroll and payroll taxes	(45,644)	3,293
Accrued severance	92,604	-
Refundable advances	20,000	(19,000)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(86,773)</u>	<u>87,286</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(26,528)	(13,535)
Purchase of investments, net	(22,701)	(8,190)
NET CASH USED FOR INVESTING ACTIVITIES	<u>(49,229)</u>	<u>(21,725)</u>
NET INCREASE (DECREASE) IN CASH	(136,002)	65,561
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>184,539</u>	<u>118,978</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 48,537</u>	<u>\$ 184,539</u>

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

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 1 - NATURE OF THE ORGANIZATION

Hartford Interval House, Inc. (the Organization), was incorporated in the State of Connecticut on February 3, 1977, as a non-profit organization organized to provide support services to victims of domestic violence and emergency shelter for battered women and their children in the greater Hartford area. In addition, the Organization operates a satellite office in Manchester, Connecticut, which provides similar services to victims of domestic violence.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, and the Industry Audit Guide for Audits of Not-For-Profit Organizations published by the American Institute of Certified Public Accountants. The significant accounting policies of the Organization are described below:

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The consolidated financial statements include the accounts of Hartford Interval House, Inc. and its subsidiary, Alice K's, LLC. All material inter-organization transactions have been eliminated.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Recognition of Donor Restricted Contributions

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, temporarily restricted net assets are reclassified to unrestricted net assets.

Functional Allocation of Expenses

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

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Grants from the State of Connecticut are accounted for on the accrual basis. Grant revenue is recognized as costs are incurred. Receivables are recognized to the extent costs have been incurred, but not reimbursed. Conversely, a liability is recorded when grant advances exceed eligible costs (refundable advances). The balances in refundable advances at June 30, 2016 and 2015 represent amounts received under various grants that will be expended in the next respective fiscal year in accordance with the grants.

Donations – Food and Clothing, Volunteers

Food and clothing and other non-cash items are donated by individuals, corporations, foundations, churches and other public and private organizations. These items pass through the Organization to its charitable beneficiaries and are not recorded as contributions in the financial statements. For the years ended June 30, 2016 and 2015, \$12,600 and \$6,991, respectively, has been recognized as revenue in the financial statements for donated services relating to legal services provided. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with its program services.

Certificates of Deposit

Certificates of deposit totaled \$1,380 and \$1,380 at June 30, 2016 and 2015, respectively. The certificates bear interest at 0.25% and 0.25% at June 30, 2016 and 2015, respectively, and have maturities of twelve months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Investments

Investments are carried at current market values. Net realized and unrealized gains or losses for the year are reflected as a separate line in the statement of activities.

Tax Exempt Status

The Organization was organized as a non-stock, nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and as such is not subject to federal and state corporate income taxes. The Organization qualifies for the charitable contribution deduction under 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization accounts for uncertainty in income taxes in accordance with the Income Tax Topic of the FASB Accounting Standards Codification. The Organization files a federal income tax return, which represents the major tax jurisdiction of the Organization. The statutes of limitations for federal tax years 2012 through 2015 remain open for audit under the various statutes of limitations.

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Financial Information for Fiscal Year 2015

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class or functional category. 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 June 30, 2015, financial statements from which the summarized information was derived.

Equipment - Depreciation

Property and equipment consist of land, a building, building improvements, equipment, and an automobile. Depreciation is provided on a straight-line basis over the estimated useful lives, which range from 3 to 40 years.

Donated items are recorded as support and property and equipment at their fair market value when received by the Organization. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in restricted net assets. It is the Organization's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as increases in temporarily restricted net assets. The Organization reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to the donated property and equipment.

All other assets are recorded at cost. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 3 - INVESTMENTS

Investments are stated at market values and consist of the following at June 30, 2016:

	Cost Basis	Quoted Prices In Active Markets for Identical Assets (Level 1)	Unrealized Holding Gain	Unrealized Holding Loss
Alternative Mutual Funds:				
Blackrock Global Long/Short Credit Fund	\$ 38,804	\$ 35,887	\$ -	\$ (2,917)
Open-End Mutual Funds:				
Blackrock Global Allocation Fund	20,718	17,964	-	(2,754)
Blackrock Multi Asset Income Portfolio Fund	17,980	17,392	-	(588)
Fidelity Advisor Large Cap Fund	37,469	35,309	-	(2,160)
Fidelity Advisor Technology Fund	19,641	18,055	-	(1,586)
IVA Worldwide Fund	17,701	16,856	-	(845)
John Hancock Alternative Asset Allocation Fund	27,049	25,194	-	(1,855)
JPMorgan Strategic Income Opportunities Fund	39,112	37,974	-	(1,138)
PIMCO Short Term Fund	36,774	36,697	-	(77)
PIMCO Income Fund	38,171	36,107	-	(2,064)
Putnam Diversified Income Trust Fund	39,172	35,141	-	(4,031)
Putnam Capital Spectrum Fund	18,881	18,478	-	(403)
Wells Fargo Advantage Absolute Return Fund	22,133	20,947	-	(1,186)
	<u>\$ 373,605</u>	<u>\$ 352,001</u>	<u>\$ -</u>	<u>\$ (21,604)</u>

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 3 - INVESTMENTS (continued)

Investments are stated at market values and consist of the following at June 30, 2015:

	Cost <u>Basis</u>	Quoted Prices In Active Markets for Identical <u>Assets (Level 1)</u>	Unrealized Holding <u>Gain</u>	Unrealized Holding <u>Loss</u>
Alternative Mutual Funds:				
Blackrock Global Long/Short Credit Fund	\$ 37,136	\$ 36,603	\$ -	\$ (533)
Open-End Mutual Funds:				
Blackrock Global Allocation Fund	19,140	18,658	-	(482)
Blackrock Multi Asset Income Portfolio Fund	17,137	17,291	154	-
Fidelity Advisor Large Cap Fund	18,404	18,322	-	(82)
Fidelity Advisor Technology Fund	37,934	36,434	-	(1,500)
IVA Worldwide Fund	17,009	17,057	48	-
John Hancock Alternative Asset Allocation Fund	26,302	25,338	-	(964)
JPMorgan Strategic Income Opportunities Fund	37,731	37,613	-	(118)
PIMCO Short Term Fund	36,106	36,477	371	-
PIMCO Income Fund	35,521	34,787	-	(734)
Putnam Diversified Income Trust Fund	19,209	18,338	-	(871)
Putnam Capital Spectrum Fund	17,808	20,343	2,535	-
Oppenheimer Steelpath MLP Alpha Fund	12,935	13,361	426	-
Wells Fargo Advantage Absolute Return Fund	21,855	22,041	186	-
	<u>\$ 354,227</u>	<u>\$ 352,663</u>	<u>\$ 3,720</u>	<u>\$ (5,284)</u>

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 4 - FAIR VALUE MEASUREMENTS

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

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access;
- Level 2 Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability;
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

Open End and Alternative Mutual Funds: Valued at the net asset value (“NAV”) of shares held by the Organization at year end.

Common Stock: Valued at the closing price reported on the exchange in which the security is actively traded.

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different value measurement at the reporting date.

All investments are considered to be Level 1.

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 303,784	\$ 303,784
Building	208,386	208,386
Building improvements	1,004,028	969,518
Equipment, furniture and fixtures	266,651	265,051
Automobile	<u>22,000</u>	<u>22,000</u>
Subtotal	1,804,849	1,768,739
Less: Accumulated depreciation	<u>(1,036,841)</u>	<u>(984,565)</u>
Property and equipment, net	<u>\$ 768,008</u>	<u>\$ 784,174</u>

The building, land, and some equipment held by the Organization are temporarily and permanently restricted assets. See Notes 9 and 10 for detail relating to these restricted assets.

NOTE 6 - OPERATING LEASES

The Organization leased office space for its satellite programs in Manchester, Connecticut. The Organization's Manchester lease is still active as of June 30, 2016 and requires monthly rent payments of \$750 through February 2018. The Organization has the option to extend the lease for an additional 3 years at a cost of \$850 per month during the extended term. For the years ended June 30, 2016 and 2015, rent expense was \$9,050 and \$8,875, respectively. Future minimum lease payments under non-cancelable operating leases are \$9,000 for the year ending June 30, 2017 and \$6,000 for the year ending June 30, 2018.

NOTE 7 - EMPLOYEE RETIREMENT PLANS

The Organization maintains an Erisa 401(k) plan covering substantially all employees. The Organization's expense related to this plan totaled \$39,225 and \$44,405 for the years ended June 30, 2016 and 2015. Employees are eligible to participate after 1 year of service and attaining the age of 21. Under the plan, the Organization matches 100 percent of the participant's deferral, up to the first 5 percent of wages deferred by the participant.

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 8 - LINE OF CREDIT

In April of 2014, the Organization modified its line of credit in the amount of \$100,000 from the financial institution maintaining the Organization's investment accounts. The line of credit is secured by the balance in the Organization's investment accounts. The line of credit now bears interest at one-month LIBOR rate plus 4.25%. During the years ended June 30, 2016 and 2015, there were no balances due on the line of credit as of year-end.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2016 and 2015, temporarily restricted net assets consisted of the following:

	<u>2016</u>	<u>2015</u>
Depreciable assets:		
Building	\$ 167,577	\$ 172,787
Total depreciable assets	<u>167,577</u>	<u>172,787</u>
Grants awarded not spent:		
Hartford Foundation for Public Giving	40,800	-
Total grants awarded not spent	<u>40,800</u>	<u>-</u>
	<u>\$ 208,377</u>	<u>\$ 172,787</u>

In August of 2008, Alice K's, LLC purchased from the City of Hartford the building which the Organization currently occupies and previously leased for \$1. The estimated fair market value of the building purchased at the date of acquisition was \$208,386. Per the sale agreement with the City of Hartford, the Organization is required to continue to use these facilities to provide emergency shelter for battered women and their children. Should Alice K's, LLC sell this purchased property, proceeds from the sale are due to the City of Hartford, not the Organization.

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS

In August of 2008, Alice K's, LLC purchased from the City of Hartford the land which the Organization currently occupies and previously leased for \$1. The estimated fair market value of the land purchased at the date of acquisition was \$295,200.

Per the sale agreement with the City of Hartford, the Organization is required to continue to use the land to provide emergency shelter for battered women and their children. Should Alice K's, LLC sell this purchased property, proceeds from the sale are due to the City of Hartford, not the Organization.

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 11 - SPECIAL EVENTS

Revenue from special events in the statements of activities has been shown net of associated costs. The gross receipts and expenses for these events during the years ended June 30, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Gross receipts	\$ 140,007	\$ 212,871
Associated expenditures	<u>(40,000)</u>	<u>(33,194)</u>
	<u>\$ 100,007</u>	<u>\$ 179,677</u>

NOTE 12 - ECONOMIC DEPENDENCE

A large concentration of revenue is comprised of Federal and State grants passed through the Connecticut Coalition Against Domestic Violence (CCADV). Much of this pass-through funding originates from the State of Connecticut Department of Social Services (DSS). Funds received from CCADV, originating from DSS, amounted to 22.0% and 21.0% of total revenues for the years ended June 30, 2016 and 2015, respectively. Funds received from CCADV in total amounted to 50.4% and 49.1% of total revenues for the years ended June 30, 2016 and 2015, respectively. Any loss or significant reduction in these grants could have a significant impact on the Organization's financial position and program services.

NOTE 13 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject Hartford Interval House, Inc. to concentrations of credit risk consist principally of cash and cash equivalents and grants and other receivables.

The cash balances maintained at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2016 and 2015, Hartford Interval House, Inc.'s cash balances were fully insured by the FDIC.

Credit risk with respect to grants receivable is limited due to the number and credit worthiness of the governmental entities and organizations from whom such amounts are due. Concentrations of credit risk with respect to promises to give (pledge receivables) are limited due to the small number of contributors comprising the receivable balance at June 30, 2016 and 2015. Hartford Interval House, Inc. believes all of its pledges and grants receivable outstanding at June 30, 2016 and 2015, to be collectible.

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 14 - TEMPORARILY RESTRICTED NET ASSETS RELEASED

Temporarily restricted net assets released from restrictions due to the passage of time or actions taken by the Organization as of June 30, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
City of Hartford Funded Bld. Imp. Depreciation	\$ -	\$ 16,084
Building Depreciation	<u>5,210</u>	<u>5,210</u>
	<u>\$ 5,210</u>	<u>\$ 21,294</u>

NOTE 15 - COMMITMENTS

The Organization entered into a contract for hauling and recycling services effective from October 1, 2013 through September 30, 2018. The contract requires the Organization to pay \$238 monthly for these services during the contract's effective term.

NOTE 16 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 9, 2016, which is the date the financial statements were available to be issued. The Organization drew \$30,000 from its line of credit (see note 8) in July of 2016.

In August of 2016, Hartford Interval House, Inc. entered into a contract for building renovations. The original contract amount was \$236,425. A grant from the State of Connecticut Office of Policy and Management has been awarded to cover the costs of the renovation.



CARNEY, ROY AND GERROL, P.C.

Certified Public Accountants

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
Hartford Interval House, Inc.
Hartford, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of Hartford Interval House, Inc. ("the Organization"), which comprise the statement of financial position as of June 30, 2016 and the related statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2016-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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*.

Hartford Interval House, Inc.'s Response to Findings

Hartford Interval House, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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 Hartford Interval House, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rocky Hill, Connecticut
December 9, 2016



CARNEY, ROY AND GERROL, P.C.

Certified Public Accountants

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

To the Board of Directors
Hartford Interval House, Inc.
Hartford, Connecticut

Report on Compliance for Each Major State Program

We have audited Hartford Interval House, Inc. (“the Organization”)’s compliance with the types of compliance requirements described in the Office of Policy and Management’s *Compliance Supplement* that could have a direct and material effect on each of the Organization’s major state programs for the year ended June 30, 2016. The Organization’s major state programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Organization’s compliance.

Opinion on Each Major State Program

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

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

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

**Report on Schedule of Expenditures of State Financial Assistance Required by the State
Single Audit Act**

We have audited the financial statements of Hartford Interval House, Inc., as of and for the year ended June 30, 2016 and have issued our report thereon dated December 9, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Camey, Roy and Lord, P.C.

Rocky Hill, Connecticut
December 9, 2016

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016**

<u>STATE GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE</u>	<u>STATE GRANT PROGRAM CORE-CT NUMBER</u>	<u>EXPENDITURES</u>
Department of Social Services Passed through the Connecticut Coalition Against Domestic Violence:		
Shelter Services Program	11000-DSS60000-16271	\$ 311,709
Marriage License Surcharge	12060-DSS60000-35132	<u>9,817</u>
Total Department of Social Services		<u>321,526</u>
 Office of Early Childhood Children's Trust Fund	 11000-OEC64800-12042	 <u>18,566</u>
Total Office of Early Childhood		<u>18,566</u>
 Judicial Branch Passed through the Connecticut Coalition Against Domestic Violence:		
Spanish Hotline	11000-JUD95810-10020-50700	136,000
Family Violence Intervention	11000-JUD95810-10020	67,531
Match Program – Victims of Crime Act	12014-JUD95810-12047	<u>67,532</u>
Total Judicial Branch		<u>271,063</u>
 Office of Policy and Management Nonprofit Grant Program	 12052-OPM20830-43574	 9,425
Passed through the Connecticut Coalition Against Domestic Violence:		
Justice Assistance and Advocacy	11000-OPM20350-12251	14,065
Justice Assistance and Advocacy	11000-OPM20350-12250	<u>1,441</u>
Total Office of Policy and Management		<u>24,931</u>
 TOTAL STATE FINANCIAL ASSISTANCE		 <u>\$ 636,086</u>

See accompanying notes to the schedule.

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**

**NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016**

The accompanying schedule of expenditures of state financial assistance includes state grant activity of Hartford Interval House, Inc. under programs of the State of Connecticut for the fiscal year ended June 30, 2016. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including the shelter for victims of domestic violence and victim advocacy programs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Accounting

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

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified Opinion

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

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

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

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

State Grantor and Program	State Core-CT Number	Expenditures
Department of Social Services: Shelter Services Program	11000-DSS60000-16271	\$ 311,709
Judicial Branch: Family Violence Intervention	11000-JUD95810-10020	\$ 67,531
Judicial Branch: Match Program – Victims of Crime Act	12014-JUD95810-12047	\$ 67,532
Dollar threshold used to distinguish between type A and type B programs		<u>\$ 100,000</u>

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(continued)*

FOR THE YEAR ENDED JUNE 30, 2016

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated December 9, 2016, 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*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated a material weakness described in Finding 2016-001.

Finding 2016-001

Criteria: Internal controls should be in place that allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, material misstatements of the financial statements on a timely basis.

Condition: 26 adjusting entries were proposed by the auditor to adjust the year-end financial numbers. 5 of these entries were to adjust misstatements that were individually material. The remaining entries were to adjust various misstatements that, when aggregated, could be considered material.

Context: Noted during the audit of the financial statements as a whole.

Effect: The financial statements would not have been presented according to Generally Accepted Accounting Principles in the United States of America without entries proposed during the course of the audit; they would have been materially misstated.

Cause: Employee turnover did not facilitate an efficient year-end financial closing, and some closing journal entries were inadvertently not entered.

Recommendation: The Organization should reevaluate its year-end financial closing procedures as well as its current financial staffing to better mitigate the risk of material misstatement of the financial statements.

Views of Responsible Officials and Planned Corrective Actions: See the Corrective Action Plan

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported relating to State Financial Assistance Programs.

**HARTFORD INTERVAL HOUSE, INC.
AND CONSOLIDATED SUBSIDIARIES**
CORRECTIVE ACTION PLAN – STATE SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2016

Office of Policy and Management
450 Capitol Avenue MS-54MFS
Hartford, Connecticut 06106-1379

Municipal Finance Services Unit, Att: William Plummer

AUDIT FINDINGS

Finding Reference Number: 2016-001

Description of Finding: 26 adjusting entries were proposed by the auditor to adjust the year-end financial numbers. 5 of these entries were to adjust misstatements that were individually material. The remaining entries were to adjust various misstatements that, when aggregated, could be considered material. The financial statements would not have been presented according to Generally Accepted Accounting Principles in the United States of America without entries proposed during the course of the audit; they would have been materially misstated. Internal controls should be in place that allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, material misstatements of the financial statements on a timely basis.

Statement of Concurrence or Nonconcurrence: Hartford Interval House, Inc. agrees with the audit finding.

Corrective Action: Hartford Interval House, Inc. has initiated corrective action. The Organization has been working with an independent consultant who is conducting a Financial Management Assessment for the Organization. His findings and recommendations will be delivered to the Board. The Organization has also hired an independent accounting firm to perform the accounting and financial functions of Organization, under management's oversight. This addresses the employee turnover that contributed to the audit finding.

Name of Contact Person: Cheryl Pytel, Board President, 860-246-9149

Projected Completion Date: Corrective action is already in-process and will be completed by December 30, 2016.

Sincerely yours,

Cheryl Pytel, Board President