

**WATERTOWN URBAN MISSION, INC.**

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***FINANCIAL STATEMENTS***  
**- DECEMBER 31, 2011 -**

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**BOWERS & COMPANY  
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS ◊ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

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**BOARD OF DIRECTORS  
WATERTOWN URBAN MISSION, INC.  
WATERTOWN, NEW YORK**

We have audited the accompanying statements of financial position of

**WATERTOWN URBAN MISSION, INC.**

(a nonprofit organization) as of December 31, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Watertown Urban Mission, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of December 31, 2010 were audited by Sovie & Bowie CPAs, PC, who merged with Bowers & Company CPAs, PLLC as of January 1, 2012, and whose report dated April 4, 2011 expressed an unqualified opinion on those financial statements. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Watertown Urban Mission, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2012 on our consideration of Watertown Urban Mission, Inc.'s internal control over financial reporting and our tests of its compliance with certain 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* and should be considered in assessing the results of our audit.

Bowers & Company

April 23, 2012

**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u> (As Restated)
<b><u>Assets:</u></b>		
Unrestricted cash	\$ 139,048	\$ 130,665
Restricted cash	33,065	46,380
Total Cash	172,113	177,045
Investments	99,363	137,627
Grants receivable	55,445	29,741
Prepaid expenses	11,116	6,210
Wheels parts inventory	4,059	5,226
Wheels accounts receivable	8,660	1,860
Gift certificates on hand	1,055	725
Deposit for board designated long term investment	146,233	146,233
Deferred loan costs, net of amortization	2,428	1,454
Property and equipment - net of accumulated depreciation	581,556	502,364
Total Assets	<u>\$ 1,082,028</u>	<u>\$ 1,008,485</u>
 <b><u>Liabilities and Net Assets:</u></b>		
<b><u>Liabilities:</u></b>		
Accounts payable	\$ 8,898	\$ 12,731
Credit cards payable	1,402	1,252
Accrued payroll and related expenses	20,382	22,208
Accrued compensated absences	5,142	8,175
Sales tax payable	3,674	2,294
Line of credit	104,800	-
Other payable	1,347	1,120
Deferred revenue	2,500	-
Refundable advance	-	41,212
Long term debt	189,131	201,929
Total Liabilities	<u>337,276</u>	<u>290,921</u>
 <b><u>Net Assets:</u></b>		
Unrestricted	540,019	505,257
Board designated for long term investment	146,233	146,233
Total Unrestricted	686,252	651,490
Temporarily restricted	32,271	39,845
Permanently restricted	26,229	26,229
Total Net Assets	<u>744,752</u>	<u>717,564</u>
Total Liabilities and Net Assets	<u>\$ 1,082,028</u>	<u>\$ 1,008,485</u>

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

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**WITH COMPARATIVE TOTALS AT DECEMBER 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Totals</u>	<u>2010 Totals</u> (As Restated)
Support and Revenue:					
Unrestricted contributions	\$ 140,268	\$ -	\$ -	\$ 140,268	\$ 116,420
Phone-A-Thon contributions	26,162	-	-	26,162	27,254
Food pantry contributions and grants	-	284,273	-	284,273	267,568
Food Sense revenue	-	11,128	-	11,128	8,402
Critical needs contributions	-	46,689	-	46,689	28,255
Critical needs grant	-	27,500	-	27,500	10,000
Bridge program contributions	-	5,752	-	5,752	3,050
Bridge program grants	-	29,586	-	29,586	29,143
Hearth grant	-	329,657	-	329,657	516,444
Community dollar dinners	-	9,442	-	9,442	8,253
Special events	13,935	18,042	-	31,977	8,024
Wheels to work grants	-	161,031	-	161,031	81,661
Impossible Dream thrift store	370,379	-	-	370,379	364,881
Wheels to Work revenue	1,384	15,790	-	17,174	4,524
Miscellaneous grant	-	-	-	-	3,150
Bequest	3,000	-	-	3,000	-
Other revenue	13,288	-	-	13,288	8,648
Unrealized gain (loss) on investments	(11,163)	-	-	(11,163)	14,898
Investment income	8,807	-	-	8,807	9,612
	<u>566,060</u>	<u>938,890</u>	<u>-</u>	<u>1,504,950</u>	<u>1,510,187</u>
Net assets released from restrictions:					
Restrictions satisfied by payments	<u>946,464</u>	<u>(946,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>1,512,524</u>	<u>(7,574)</u>	<u>-</u>	<u>1,504,950</u>	<u>1,510,187</u>
Expenses:					
Program Services:					
Bridge program	45,793	-	-	45,793	40,817
Food pantry	280,732	-	-	280,732	270,531
Store	331,503	-	-	331,503	351,086
Wheels	190,131	-	-	190,131	86,722
Critical Needs	52,458	-	-	52,458	32,945
Other programs	354,687	-	-	354,687	539,677
Management and general	<u>222,458</u>	<u>-</u>	<u>-</u>	<u>222,458</u>	<u>193,650</u>
Total Expenses	<u>1,477,762</u>	<u>-</u>	<u>-</u>	<u>1,477,762</u>	<u>1,515,428</u>
Changes in net assets	34,762	(7,574)	-	27,188	(5,241)
Net assets at beginning of year, restated	<u>651,490</u>	<u>39,845</u>	<u>26,229</u>	<u>717,564</u>	<u>722,805</u>
Net assets at end of year	<u>\$ 686,252</u>	<u>\$ 32,271</u>	<u>\$ 26,229</u>	<u>\$ 744,752</u>	<u>\$ 717,564</u>

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

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>Operating Activities:</u></b>		
Changes in net assets	\$ 27,188	\$ (5,241)
Reconciliation of changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	27,220	24,707
Unrealized (gains) losses on investments	11,163	(14,898)
Bad debt expense	1,480	2,190
(Increase) decrease in assets:		
Grant receivable	(25,704)	(5,588)
Other receivable	-	8,344
Wheels accounts receivable	(6,800)	700
Prepaid expenses	(4,906)	2,267
Wheels parts inventory	1,167	568
Gift certificates on hand	(330)	30
Increase (decrease) in liabilities:		
Accounts payable	(3,833)	3,512
Credit cards payable	150	128
Accrued payroll and related charges	(1,826)	2,644
Accrued compensated absences	(3,033)	11
Sales tax payable	1,380	278
Other payable	227	778
Deferred revenue	2,500	-
Refundable advance	(41,212)	(12,719)
Net cash provided (used) by operating activities	<u>(15,169)</u>	<u>7,711</u>
<b><u>Investing Activities:</u></b>		
Proceeds from sale/maturities of investments	55,582	41,344
Purchase of investments	(31,105)	(45,050)
Purchase of property and equipment	<u>(106,242)</u>	<u>(44,155)</u>
Net cash used by investing activities	<u>(81,765)</u>	<u>(47,861)</u>
<b><u>Financing Activities:</u></b>		
Proceeds from line of credit	104,800	-
Repayment of long term debt	<u>(12,798)</u>	<u>(12,225)</u>
Net cash provided (used) by financing activities	<u>92,002</u>	<u>(12,225)</u>
Increase (decrease) in cash	(4,932)	(52,375)
Cash balance at beginning of year	<u>177,045</u>	<u>229,420</u>
Cash balance at end of year	<u>\$ 172,113</u>	<u>\$ 177,045</u>

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

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011  
WITH COMPARATIVE TOTALS AT DECEMBER 31, 2010**

	Bridge Program	Food Pantry	Store	Wheels	Critical Needs	Other Programs	Total Program Services	Management & General	Totals	
									2011	2010
Salaries and wages	\$ 29,348	\$ 31,928	\$ 213,034	\$ 51,100	\$ 19,975	\$ 72,623	\$ 418,008	\$ 133,414	\$ 551,422	\$ 535,540
Employee benefits	5,044	395	17,523	11,899	340	5,319	40,520	16,262	56,782	52,556
Payroll taxes	2,452	2,662	22,154	4,566	1,827	5,819	39,480	11,465	50,945	47,617
Professional fees	-	-	2,432	961	-	1,500	4,893	2,432	7,325	6,100
Telephone and internet	1,009	451	1,043	451	451	-	3,405	450	3,855	3,559
Postage	457	97	150	45	143	-	892	1,985	2,877	3,103
Equipment maintenance	-	506	382	-	-	-	888	2,977	3,865	1,780
Building maintenance	-	45	2,801	288	-	-	3,134	4,516	7,650	9,098
Travel	723	408	20	777	-	10	1,938	260	2,198	954
Advertising	96	17	1,690	-	17	-	1,820	1,547	3,367	3,651
Utilities	69	1,323	9,399	4,048	1,029	-	15,868	8,619	24,487	28,440
Office supplies and expense	406	904	345	442	472	2,080	4,649	4,986	9,635	6,551
Insurance	-	-	4,424	4,306	-	-	8,730	4,743	13,473	11,243
Food Pantry	-	236,535	-	-	-	-	236,535	-	236,535	240,453
Critical needs assistance	-	-	-	-	27,475	-	27,475	-	27,475	8,731
Vehicle expense	-	-	14,395	-	10	-	14,405	-	14,405	10,799
Bad debts	-	-	-	1,480	-	-	1,480	-	1,480	2,190
Contract services	74	147	5,410	147	73	178	6,029	7,156	13,185	22,129
Trash and snow removal	-	-	14,042	-	-	-	14,042	-	14,042	16,038
Food Sense	-	-	-	-	-	10,649	10,649	-	10,649	8,850
Wheels to Work vehicle expense	-	-	-	106,991	-	-	106,991	-	106,991	5,305
Interest expense	18	72	3,821	1,570	340	-	5,821	3,726	9,547	9,666
Community dollar dinners	-	-	-	-	-	11,776	11,776	-	11,776	10,748
Hearth program assistance	-	-	-	-	-	240,188	240,188	-	240,188	429,087
Other rental assistance	-	-	-	-	-	4,050	4,050	-	4,050	3,150
Program supplies	568	-	11,235	-	-	-	11,803	-	11,803	10,739
Special events expense	4,954	-	-	-	-	-	4,954	5,374	10,328	1,469
Miscellaneous	-	-	-	-	-	-	-	207	207	1,175
<b>Total Expenses Before Depreciation</b>	<b>45,218</b>	<b>275,490</b>	<b>324,300</b>	<b>189,071</b>	<b>52,152</b>	<b>354,192</b>	<b>1,240,423</b>	<b>210,119</b>	<b>1,450,542</b>	<b>1,490,721</b>
Depreciation and amortization expense	575	5,242	7,203	1,060	306	495	14,881	12,339	27,220	24,707
<b>Total Expenses After Depreciation</b>	<b>\$ 45,793</b>	<b>\$280,732</b>	<b>\$ 331,503</b>	<b>\$ 190,131</b>	<b>\$ 52,458</b>	<b>\$ 354,687</b>	<b>\$ 1,255,304</b>	<b>\$ 222,458</b>	<b>\$ 1,477,762</b>	<b>\$ 1,515,428</b>

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



**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**Note 1 - Summary of Significant Accounting Policies:**

**Basis of Accounting**

The financial statements of the Watertown Urban Mission, Inc. have been prepared on the accrual basis of accounting and include the assets, liabilities, net assets, and financial activities of the Watertown Urban Mission.

**Tax Status**

The Organization is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation under Section 509(a)(2). Accordingly, no provision has been made for federal or state taxes.

The Organization has adopted the provisions of Financial Accounting Standards Board Codification, "Income Taxes". In determining the recognition of uncertain tax positions, the Organization applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities.

The Organization recognizes potential liabilities associated with anticipated tax audit issues that may arise during an examination. Interest and penalties that are anticipated to be due upon examination are recognized as accrued interest and other liabilities with an offset to interest and other expense. The Organization analyzed its tax positions taken on their Federal and State tax returns for the open tax years 2008, 2009, and 2010. Based on our analysis, the Organization determined that there were no uncertain tax positions and that the Organization should prevail upon examination by the taxing authorities.

**Nature of Activities**

Watertown Urban Mission is a constitution of local member churches united for the purpose of addressing jointly such community social concerns as employment, housing, criminal justice, education, health and poverty. Its programs include, but are not limited to, Critical Needs, Food Pantry and the Bridge Program.

The Organization operates a second hand thrift store (the Impossible Dream) to provide used clothing and furniture to needy people at prices they are able to afford.

The Organization also purchases and accepts donations of used vehicles, which would, after repairs, be sold at a nominal cost to eligible recipients recommended by the Temporary Assistance for Needy Families (TANF) wheels for work program.

**Property and Equipment**

Equipment, building and improvements are capitalized at cost. It is the Organization's policy to capitalize all improvements and equipment purchases greater than \$500. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

<u>Description</u>	<u>Life Years</u>
Building and improvements	15 to 39 years
Equipment and furniture	5 to 7 years
Vehicles	5 years

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**Note 1 - Summary of Significant Accounting Policies - contd.:**

**Cash and Cash Equivalents**

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

**Accounts Receivable**

The Organization records a receivable of \$500 for each vehicle sold to eligible participants of the Wheels to Work program. The monthly payments range from \$40 to \$50 for each participant. The Organization has elected not to establish a reserve for bad debts since all receivables are deemed collectible. An allowance will be established when an event occurs in the future that would necessitate a reserve.

**Inventory**

Inventory consists of vehicle parts for the Wheels program and is stated at cost determined by first-in, first-out method.

**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 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.

**Comparative Financial Information**

The financial statements include certain 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 Organization's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

**Revenue Recognition**

The Organization derives revenue from the sale of used furniture and clothing that is donated from individuals and businesses in the community. Donated merchandise is not recognized as revenue until the item is sold because there is not a clearly measurable and objective basis for determining the value upon receipt of the merchandise. An inventory of merchandise on hand is not maintained.

The Watertown Urban Mission principally receives revenue from pledges and donations from local churches, program grants from New York State and from providing support services to affiliated organizations. Pledges are recognized as revenue when received. Services provided by volunteers are not reflected in the financial statements since there is lack of a clearly measurable and objective basis for recognizing the value of these services.

**Note 1 - Summary of Significant Accounting Policies - contd.:**

**Basis of Presentation**

Financial statement presentation is in accordance with FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Organizations*. Under ASC 958-205, 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.

**Contributions**

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.

**Concentration of Revenue**

The Organization receives approximately 30% of total support and revenue from contributions. The sale of donated goods at the Impossible Dream store account for 25% of total support and revenue. Grant revenue accounts for 36% of total support and revenue.

**Note 2 – Cash and Investments:**

Bank balances at December 31, 2011 are as follows:

	<u>Total</u>	Insured (FDIC) (SIPC)
Total Bank Balances	<u>\$171,789</u>	<u>\$171,789</u>

The cash received for the Hearth grant is required to be maintained in a separate cash account. It is recorded on the balance sheet as restricted cash.

**Note 3 - Investments:**

Investments are stated at fair value and are summarized at December 31, 2011 and 2010 as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Debt securities	\$110,000	\$110,998	\$135,000	\$137,517
Equity securities	42,270	45,083	58,248	60,581
Mixed asset fund	87,843	89,515	75,714	85,762
Total	<u>\$ 240,113</u>	<u>\$ 245,596</u>	<u>\$ 268,962</u>	<u>\$ 283,860</u>

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**Note 3 - Investments - contd.:**

The investments are reported on the statements of financial position at December 31, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Investments	\$ 99,363	\$ 137,627
Deposit for board designated long term investment	<u>146,233</u>	<u>146,233</u>
	<u>\$ 245,596</u>	<u>\$ 283,860</u>

**Note 4 – Property and Equipment:**

Property and equipment consist of the following:

	<u>Totals</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 53,000	\$ 53,000
Building and improvements	558,883	454,131
Equipment	82,738	82,012
Vehicle	<u>28,515</u>	<u>27,750</u>
	723,136	616,893
Accumulated depreciation	<u>141,580</u>	<u>114,529</u>
Net Property and Equipment	<u>\$ 581,556</u>	<u>\$ 502,364</u>

**Note 5 - Estate Beneficiary:**

The Mission was a beneficiary of the Estate of Grace E. Mayo, Deceased. The board established a separate bank account to administer the monies. Interest is available for use in meeting operating expenses while the use of principal is restricted by action of the Board of Directors. The amount received from the Estate in February 1990 was \$31,506.91. The Mission was also a beneficiary of the Estate of Charles Close. The amount received from the Estate in June 2000 was \$3,000. No restriction on the use of principal was indicated by the donor.

The Organization was a beneficiary of the Estate of Elizabeth Brown, the amount received was \$146,233 with no restriction on the use of principal from the donor. The Organization also transferred money from their checking account into the same account with RBC Dain Rauscher. At December 31, 2011, the balance in this account is \$136,129 held in money market and taxable fixed income funds.

The Watertown Urban Mission was also a beneficiary of the Estate of Clara G. Schrodt, Deceased. The amount received from the Estate in May 2000 was \$26,229. This contribution is permanently restricted by the donor. The Watertown Urban Mission must invest the principal amount of the gift and interest only can be used for operating purposes. The Organization also transferred other money into this account. As of December 31, 2011, the balance of \$144,490 is held in a separate account at RBC Dain Rauscher. The account includes money market funds, equity securities and mixed asset funds.

**WATERTOWN URBAN MISSION, INC.**

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**Note 6 - Restricted Resources - The Bridge Program:**

The Watertown Urban Mission has received grants for The Bridge Program as follows:

<u>Funding Source</u>	<u>Grant Recognized</u>	
	<u>2011</u>	<u>2010</u>
NYS Division of Probation and Correctional Alternatives:		
Grant # C220651	\$ 19,586	\$ 19,143
Jefferson County Stop DWI	<u>10,000</u>	<u>10,000</u>
Restricted grant funds	<u>\$ 29,586</u>	<u>\$ 29,143</u>
Grant Receivable:		
NYS Division of Probation and Correctional Alternatives	<u>\$ 5,481</u>	<u>\$ 13,000</u>

**Note 7 - Food Pantry - Donated Food:**

The Watertown Urban Mission receives food donations from various governmental agencies including the United States Department of Agriculture (Hunger Prevention and Nutrition Assistance Program). The Organization receives a detailed invoice with each shipment of food and records the assigned values from USDA as donated food revenue and expense. In 2011 and 2010, these food donations are valued at \$68,545 and \$85,649.

The Organization also receives significant amounts of donated food from churches, local businesses, gourmet agencies and individuals. All items are counted and recorded. In absence of a uniform method to value such items, all items are assigned a value of \$1 per item. In 2011 and 2010, these non-cash items were assigned a dollar value of \$164,298 and \$181,919 and recorded as both a donated food revenue and an expense.

**Note 8 - Pension:**

The Mission has established a Salary Reduction Pension Plan under Internal Revenue Code Section 403(b)(7). Employees who wish to participate in the plan may contribute annually through a voluntary payroll deduction from each paycheck. Such amounts withheld from the employees' paychecks are remitted to the plan custodian on a monthly basis. Five employees participated in the plan during 2011.

**Note 9 - Temporarily Restricted Net Assets:**

Temporarily restricted net assets as of December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Wheels for work program income	<u>\$32,271</u>	<u>\$39,845</u>

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**Note 10 - Unrestricted Net Assets:**

Included in the unrestricted net assets are the following at December 31, 2011 and 2010:

	<b><u>2011</u></b>	<b><u>2010</u></b>
Unrestricted	\$ 540,019	\$ 505,257
Board designated for long-term investment	<u>146,233</u>	<u>146,233</u>
Unrestricted Net Assets	<u>\$ 686,252</u>	<u>\$ 651,490</u>

**Note 11 – Permanently Restricted Net Assets:**

Investments include \$26,229 permanently restricted by the Estate of Clara G. Schrod, deceased. The amount restricted represents the principal amount of the initial bequest. See Note 5 for additional information.

**Note 12 – Restricted Resources – Wheels to Work Program:**

The Watertown Urban Mission has received grants for the Wheels to Work program as follows:

<b><u>Funding Source</u></b>	<b><u>Grant Recognized</u></b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>
New York State Department of Labor Grant Receivable	<u>\$ 161,031</u>	<u>\$ 81,661</u>
New York State Department of Labor	<u>\$ 49,964</u>	<u>\$ 12,004</u>

**Note 13 – Restricted Resources – Hearth Program:**

The Organization has received a grant for the Homelessness Prevention and Rapid Re-Housing Program (HEARTH). This is an ARRA funded program.

<b><u>Funding Source</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Housing and Urban Development Grant Revenue	<u>\$ 329,657</u>	<u>\$ 516,444</u>
Grant Receivable	<u>\$ ---</u>	<u>\$ 4,736</u>

**Note 14 – Critical Needs Program:**

The Organization provides people in need of clothing and furniture the opportunity to shop at the Impossible Dream thrift store to receive the items they need free of charge. The Organization assigns a nominal value ranging from \$1 to \$20 per item for the program. The value at December 31, 2011 and 2010 was \$25,116 and \$41,308, respectively, and is not reflected in the financial statements.

**Note 15 – Line of Credit:**

The Organization entered into a line of credit agreement with Watertown Savings Bank on September 21, 2011. The available line of credit is \$120,000 and is due to mature on October 1, 2012. The interest rate is 5.5% at December 31, 2011. The amount outstanding at December 31, 2011 is \$104,800. The line is secured by the building at 247 Factory Street and all assets of the Organization.

**Note 16 – Long Term Debt:**

The Watertown Urban Mission, Inc. entered into a mortgage with Watertown Savings Bank in the amount of \$251,912.95 dated December 16, 2005. The mortgage commenced with an interest rate of 5.5%. The interest rate changed on March 1, 2009 and will be calculated based on 3% over the applicable 5 year Treasury Bill constant rate. The interest rate at December 31, 2010 is 4.625%. The maturity date is March 1, 2024. The monthly principal and interest payment is \$1,723.22 until the next scheduled interest rate change date. The proceeds of the mortgage were used to purchase the property at 247 Factory Street, Watertown, New York. Watertown Savings Bank has a first position mortgage on the above property.

Maturities of the long-term debt are estimated as follows:

2012	\$ 12,164
2013	12,763
2014	13,366
2015	13,997
2016	14,641
Thereafter	<u>122,200</u>
	<u>\$189,131</u>

**Note 17 – Supplemental Disclosure of Cash Flow Information:**

	<u>2011</u>	<u>2010</u>
Cash paid for interest	<u>\$ 9,547</u>	<u>\$ 9,666</u>

**Note 18 – Advertising:**

The Organization expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2011 and 2010 is \$3,367 and \$3,651, respectively.

**Note 19 – Subsequent Events:**

Subsequent events have been evaluated through April 23, 2012 which is the date the financial statements were available to be issued.



**BOWERS & COMPANY**  
**CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**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**

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**BOARD OF DIRECTORS**  
**WATERTOWN URBAN MISSION, INC.**  
**WATERTOWN, NEW YORK**

We have audited the financial statements of Watertown Urban Mission, Inc. as of and for the year ended December 31, 2011, and have issued our report thereon dated April 23, 2012. 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.

**Internal Control Over Financial Reporting**

Management of Watertown Urban Mission, Inc. is responsible for establishing and maintaining effective internal control over financial reporting.

In planning and performing our audit, we considered Watertown Urban Mission, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures 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 Watertown Urban Mission, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Watertown Urban Mission, Inc.'s internal control over financial reporting.

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 a 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Watertown Urban Mission, 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*.

This report is intended for the information of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Bowers & Company*

April 23, 2012