

WATERTOWN URBAN
MISSION, INC.

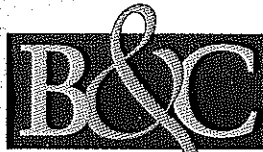
FINANCIAL STATEMENTS

December 31, 2013

Table of Contents

WATERTOWN URBAN MISSION, INC.

INDEPENDENT AUDITORS' REPORT	1
AUDITED FINANCIAL STATEMENTS	3
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	20



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **WATERTOWN URBAN MISSION, INC.** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, 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 auditors' 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.

1200 AXA Tower I, 100 Madison Street, Syracuse, NY 13202 Phone: 315.234.1100 • Fax 315.234.1111
167 Polk Street, Suite 340, Watertown, NY 13601 Phone: 315.788.7690 • Fax 315.788.0966
145 Clinton Street, Watertown, NY 13601 Phone: 315.788.5490 • Fax 315.788.7147

www.bcpllc.com

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 Watertown Urban Mission, Inc. as of December 31, 2013, 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 the Watertown Urban Mission Inc.'s 2012 financial statements, and our report dated April 5, 2013, 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 December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2014 on our consideration of Watertown Urban Mission, 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 Watertown Urban Mission, Inc.'s internal control over financial reporting and compliance.

Banner & Company

Watertown, New York
February 28, 2014

WATERTOWN URBAN MISSION, INC.

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

December 31, 2013 with Comparative Totals for 2012

	2013	2012 Restated
ASSETS		
Unrestricted Cash	\$ 124,043	\$ 118,343
Restricted Cash	240,626	135,837
Total Cash	<u>364,669</u>	<u>254,180</u>
Grants Receivable	3,654	5,024
Accounts Receivable	1,332	3,440
Prepaid Expenses	11,664	8,960
Wheels to Work Parts Inventory	0	3,722
Gift Certificates on Hand	843	1,415
Unconditional Promises to Give	856,515	427,510
Investments	313,047	291,331
Restricted Deposits for Long Term Purposes	606,008	106,998
Deferred Loan Costs, Net	1,747	2,087
Construction in Progress	83,501	10,800
Property and Equipment, Net	<u>534,606</u>	<u>554,699</u>
TOTAL ASSETS	<u><u>\$ 2,777,586</u></u>	<u><u>\$ 1,670,166</u></u>
LIABILITIES		
Accounts Payable	\$ 7,597	\$ 7,676
Credit Cards Payable	1,115	1,241
Accrued Payroll and Related Expenses	10,718	22,929
Accrued Compensated Absences	10,717	7,012
Sales Tax Payable	1,980	1,952
Line of Credit	0	33,200
Other Payable	450	1,408
Deferred Revenue	55,227	32,754
Long Term Debt	159,175	174,498
Total Liabilities	<u>246,979</u>	<u>282,670</u>
NET ASSETS		
Unrestricted	895,622	677,116
Board Designated for Long Term Investment	146,233	146,233
Total Unrestricted	<u>1,041,855</u>	<u>823,349</u>
Temporarily Restricted	1,462,523	537,918
Permanently Restricted	26,229	26,229
Total Net Assets	<u>2,530,607</u>	<u>1,387,496</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,777,586</u></u>	<u><u>\$ 1,670,166</u></u>

See notes to financial statements.

WATERTOWN URBAN MISSION, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2013 with Summarized Totals at 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Totals	2012 Totals
SUPPORT AND REVENUE					
Unrestricted Contributions	\$ 152,815	\$ 0	\$ 0	\$ 152,815	\$ 120,035
Phone-A-Thon Contributions	12,761	0	0	12,761	21,545
Food Pantry Contributions	0	315,035	0	315,035	289,823
Food Sense Revenue	17,024	0	0	17,024	14,002
Critical Needs Revenue	21,775	99,368	0	121,143	62,230
Bridge Program Revenue	35,534	355	0	35,889	44,174
Hearth Grant	315,798	0	0	315,798	262,214
Community Dollar Dinners	0	7,275	0	7,275	5,972
Special Events	16,640	23,846	0	40,486	53,010
Impossible Dream Thrift Store	417,165	0	0	417,165	473,069
Capital Campaign Contributions	0	1,033,911	0	1,033,911	571,240
Wheels to Work Revenue	0	0	0	0	8,404
Bequest	66,038	0	0	66,038	31,222
Other Revenue	23,152	0	0	23,152	18,972
Gain on Investments	24,408	0	0	24,408	10,932
Investment Income	13,513	4,185	0	17,698	10,660
	<u>1,116,623</u>	<u>1,483,975</u>	<u>0</u>	<u>2,600,598</u>	<u>1,997,504</u>
Net Assets Released from Restrictions:					
Restrictions Satisfied by Payments	<u>559,370</u>	<u>(559,370)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Support and Revenue	<u>1,675,993</u>	<u>924,605</u>	<u>0</u>	<u>2,600,598</u>	<u>1,997,504</u>
EXPENSES					
Program Services					
Bridge Program	71,377	0	0	71,377	62,765
Food Pantry	351,763	0	0	351,763	324,752
Thrift Store	394,836	0	0	394,836	369,664
Wheels to Work	8,488	0	0	8,488	33,099
Critical Needs	131,936	0	0	131,936	105,607
Other Programs	341,569	0	0	341,569	301,151
Management and General	<u>157,518</u>	<u>0</u>	<u>0</u>	<u>157,518</u>	<u>157,722</u>
Total Expenses	<u>1,457,487</u>	<u>0</u>	<u>0</u>	<u>1,457,487</u>	<u>1,354,760</u>
Changes in Net Assets	218,506	924,605	0	1,143,111	642,744
Net Assets, Beginning of Year	<u>823,349</u>	<u>537,918</u>	<u>26,229</u>	<u>1,387,496</u>	<u>744,752</u>
Net Assets, End of Year	<u>\$ 1,041,855</u>	<u>\$ 1,462,523</u>	<u>\$ 26,229</u>	<u>\$ 2,530,607</u>	<u>\$ 1,387,496</u>

See notes to financial statements.

WATERTOWN URBAN MISSION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2013 with Summarized Totals at 2012

	Bridge Program	Food Pantry	Thrift Store	Wheels to Work	Critical Needs	Other Programs	Total Program Services	Management & General	Totals	
									2013	2012
Salaries and Wages	\$ 55,597	\$ 58,877	\$ 262,660	\$ 1,673	\$ 51,197	\$ 69,641	\$ 499,645	\$ 65,903	\$ 565,548	\$ 537,742
Employee Benefits	469	1,238	16,197	0	4,060	2,712	24,676	30,719	55,395	43,506
Payroll Taxes	4,892	5,459	27,303	181	4,505	6,283	48,623	5,914	54,537	54,941
Professional Fees	268	1,005	3,350	201	268	268	5,360	1,340	6,700	18,808
Telephone and Internet	331	453	2,148	0	151	0	3,083	4,963	8,046	5,258
Postage	305	141	438	7	90	0	981	4,875	5,856	5,877
Equipment Maintenance	395	1,537	1,844	0	395	0	4,171	1,314	5,485	4,158
Building Maintenance	89	276	2,191	0	89	15	2,660	3,879	6,539	7,708
Travel	68	78	13	0	56	0	215	25	240	524
Advertising	9	27	823	0	9	9	877	5,210	6,087	1,599
Utilities	997	2,993	9,978	0	997	986	15,951	3,992	19,943	18,020
Office Supplies and Expense	504	1,166	1,735	2	509	4,258	8,174	8,363	16,537	16,402
Insurance	449	1,346	5,954	0	519	449	8,717	1,909	10,626	9,721
Food Pantry	0	270,181	0	0	0	0	270,181	0	270,181	248,913
Critical Needs Assistance	0	0	0	0	68,014	0	68,014	0	68,014	50,894
Vehicle Expense	0	0	16,893	0	0	0	16,893	0	16,893	10,881
Bad Debts	0	0	0	2,040	0	0	2,040	0	2,040	200
Contract Services	92	184	4,250	13	99	198	4,836	3,348	8,184	6,876
Trash and Snow Removal	0	0	12,000	0	0	0	12,000	0	12,000	11,908
Food Sense	0	0	0	0	0	16,740	16,740	0	16,740	13,536
Wheels to Work Vehicle Expense	0	0	0	3,722	0	0	3,722	0	3,722	7,706
Interest Expense	327	1,226	4,087	245	327	327	6,539	1,635	8,174	13,777
Community Dollar Dinners	0	0	0	0	0	7,417	7,417	0	7,417	9,689
Hearth Program Assistance	0	0	0	0	0	231,380	231,380	0	231,380	204,248
Program Supplies	23	0	15,886	0	0	0	15,909	0	15,909	16,657
Special Events Expense	5,770	0	0	0	0	0	5,770	1,475	7,245	6,794
Miscellaneous	0	9	0	0	0	0	9	2,006	2,015	1,220
Total Expenses Before Depreciation	<u>70,585</u>	<u>346,196</u>	<u>387,750</u>	<u>8,084</u>	<u>131,285</u>	<u>340,683</u>	<u>1,284,583</u>	<u>146,870</u>	<u>1,431,453</u>	<u>1,327,563</u>
Depreciation and Amortization Expense	<u>792</u>	<u>5,567</u>	<u>7,086</u>	<u>404</u>	<u>651</u>	<u>886</u>	<u>15,386</u>	<u>10,648</u>	<u>26,034</u>	<u>27,197</u>
Total Expenses After Depreciation	<u>\$ 71,377</u>	<u>\$ 351,763</u>	<u>\$ 394,836</u>	<u>\$ 8,488</u>	<u>\$ 131,936</u>	<u>\$ 341,569</u>	<u>\$ 1,299,969</u>	<u>\$ 157,518</u>	<u>\$ 1,457,487</u>	<u>\$ 1,354,760</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012

	Bridge Program	Food Pantry	Thrift Store	Wheels to Work	Critical Needs	Other Programs	Total Program Services	Management & General	Totals 2012
Salaries and Wages	\$ 48,322	\$ 52,920	\$ 244,851	\$ 20,514	\$ 43,825	\$ 61,249	\$ 471,681	\$ 66,061	\$ 537,742
Employee Benefits	250	1,023	13,354	793	2,381	2,184	19,985	23,521	43,506
Payroll Taxes	4,439	5,025	26,207	2,286	4,154	6,094	48,205	6,736	54,941
Professional Fees	258	968	3,225	194	258	258	5,161	13,647	18,808
Telephone and Internet	479	520	2,006	94	267	0	3,366	1,892	5,258
Postage	228	180	348	35	192	0	983	4,894	5,877
Equipment Maintenance	122	1,575	1,315	(19)	122	0	3,115	1,043	4,158
Building Maintenance	41	150	3,770	0	41	0	4,002	3,706	7,708
Travel	203	209	10	67	20	0	509	15	524
Advertising	50	0	665	0	150	139	1,004	595	1,599
Utilities	902	2,704	9,014	216	902	676	14,414	3,606	18,020
Office Supplies and Expense	342	1,013	2,079	55	530	1,302	5,321	11,081	16,402
Insurance	412	1,235	5,575	(534)	412	327	7,427	2,294	9,721
Food Pantry	0	248,913	0	0	0	0	248,913	0	248,913
Critical Needs Assistance	0	0	0	0	50,894	0	50,894	0	50,894
Vehicle Expense	0	0	10,881	0	0	0	10,881	0	10,881
Bad Debts	0	0	0	200	0	0	200	0	200
Contract Services	78	156	3,274	28	81	148	3,765	3,111	6,876
Trash and Snow Removal	0	0	11,908	0	0	0	11,908	0	11,908
Food Sense	0	0	0	0	0	13,536	13,536	0	13,536
Wheels to Work Vehicle Expense	0	0	0	7,706	0	0	7,706	0	7,706
Interest Expense	563	2,103	6,646	705	708	466	11,191	2,586	13,777
Community Dollar Dinners	0	0	0	0	0	9,689	9,689	0	9,689
Hearth Program Assistance	0	0	0	0	0	204,248	204,248	0	204,248
Program Supplies	0	0	16,657	0	0	0	16,657	0	16,657
Special Events Expense	5,105	0	60	0	0	0	5,165	1,629	6,794
Miscellaneous	33	0	541	0	0	0	574	646	1,220
Total Expenses Before Depreciation	61,827	318,694	362,386	32,340	104,937	300,316	1,180,500	147,063	1,327,563
Depreciation and Amortization Expense	938	6,058	7,278	759	670	835	16,538	10,659	27,197
Total Expenses After Depreciation	\$ 62,765	\$ 324,752	\$ 369,664	\$ 33,099	\$ 105,607	\$ 301,151	\$ 1,197,038	\$ 157,722	\$ 1,354,760

See notes to financial statements.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2013 with Comparative Totals for 2012

	2013	2012 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 1,143,111	\$ 642,744
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	26,034	27,197
(Gains) Losses on Investments	(24,408)	(10,932)
Bad Debt Expense	2,040	200
(Increase) Decrease in Operating Assets:		
Grant Receivable	1,370	50,421
Accounts Receivable	2,108	5,220
Prepaid Expenses	(2,704)	2,156
Wheels to Work Parts Inventory	3,722	337
Gift Certificates on Hand	572	(360)
Unconditional Promises to Give	(429,005)	(427,510)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(79)	(1,222)
Credit Cards Payable	(126)	(161)
Accrued Payroll and Related Charges	(12,211)	2,547
Accrued Compensated Absences	3,705	1,870
Sales Tax Payable	28	(1,722)
Other Payable	(958)	61
Deferred Revenue	22,473	30,254
Net Cash Provided By Operating Activities	<u>735,672</u>	<u>321,100</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds From Sale/Maturities of Investments	93,952	108,092
Purchase of Investments and Long Term Restricted Deposits	(592,311)	(250,092)
Construction in Progress	(72,701)	(10,800)
Purchase of Property and Equipment	(5,600)	0
Net Cash Used In Investing Activities	<u>(576,660)</u>	<u>(152,800)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Line of Credit	(33,200)	(71,600)
Repayment of Long Term Debt	(15,323)	(14,633)
Net Cash Used In Financing Activities	<u>(48,523)</u>	<u>(86,233)</u>
Net Increase in Cash	110,489	82,067
Cash Balance, Beginning of Year	254,180	172,113
Cash Balance, End of Year	<u>\$ 364,669</u>	<u>\$ 254,180</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals for 2012

NOTE 1 – NATURE OF ACTIVITIES

Watertown Urban Mission (the “Organization”) is a constitution of more than forty local member churches united for the purpose of addressing community concerns such as housing, health and poverty.

The Organization operates a food pantry and 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 Wheels to Work program provides used vehicles at a nominal cost to eligible individuals who are in need of transportation to work.

The Critical Needs program provides emergency assistance to people for transportation, prescriptions, baby formula, diapers, school supplies and vouchers to the Organization’s thrift store.

The Bridge program helps people who face legal issues because of substance abuse by providing them with treatment options and case management to overcome their addictions.

Other programs include the Hearth program that provides rental and security deposit assistance to people facing homelessness.

NOTE 2 – 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 Organization.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals for 2012

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Tax Status - Continued

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 2010, 2011, and 2012. 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.

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:

Description / Life Years

Building and Improvements	15 - 39 Years
Equipment and Furniture	5 - 7 Years
Vehicles	5 Years

Cash and Cash Equivalents

For purposes of the Statement 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.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals for 2012

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2012, 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, businesses and individuals and program grants from New York State. 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.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals for 2012

NOTE 3 – CASH AND CASH EQUIVALENTS

Bank balances at December 31, 2013 are as follows:

	<u>Total</u>	<u>Insured (FDIC) (SIPC)</u>	<u>Uncollateralized</u>
Total Bank Balances	\$ 899,768	\$ 603,427	\$ 296,341

The cash received for the Hearth grant is required to be maintained in a separate cash account. It is recorded on the statement of financial position as restricted cash.

NOTE 4 – INVESTMENTS

	2013		2012	
	Cost	Market Value	Cost	Market Value
Debt Securities	\$ 95,000	\$ 95,463	\$ 115,317	\$ 116,303
Equity Securities	73,385	86,063	64,234	66,242
Mixed Asset Fund	111,216	131,521	101,799	108,786
Total	\$ 279,601	\$ 313,047	\$ 281,350	\$ 291,331

The investments are reported at market value on the statement of financial position as follows:

	2013	2012
Investments	\$ 313,047	\$ 291,331
Total	\$ 313,047	\$ 291,331

The board of directors has designated \$146,233 as a long term investment for both 2013 and 2012, respectively. The Organization recognized a realized gain of \$3,358 and a net unrealized gain of \$21,050 in 2013. The Organization recognized a realized gain of \$5,102 and a net unrealized gain of \$5,830 in 2012.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals for 2012

NOTE 5 – RESTRICTED DEPOSITS FOR LONG TERM PURPOSES

Restricted cash deposits for long term purpose consist of the following at December 31:

	2013	2012
Deposit with Northern NY Community Foundation	\$ 65,090	\$ 6,601
Cash Restriction for Capital Improvements	<u>540,918</u>	<u>100,397</u>
 Total	 <u>\$ 606,008</u>	 <u>\$ 106,998</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2013	2012
Land	\$ 53,000	\$ 53,000
Buildings and Improvements	564,483	558,883
Equipment	72,931	82,738
Vehicle	<u>12,515</u>	<u>28,515</u>
	702,929	723,136
Less: Accumulated Depreciation	<u>(168,323)</u>	<u>(168,437)</u>
 Property and Equipment, Net	 <u>\$ 534,606</u>	 <u>\$ 554,699</u>

NOTE 7 – DEFERRED LOAN COSTS

Deferred loan costs consist of the following at December 31:

	2013	2012
Deferred Loan Costs	\$ <u>3,156</u>	\$ <u>3,156</u>
Less: Accumulated Amortization	<u>(1,409)</u>	<u>(1,069)</u>
 Deferred Loan Costs, Net	 <u>\$ 1,747</u>	 <u>\$ 2,087</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals for 2012

NOTE 8 – GRANT REVENUE

The Watertown Urban Mission has received grants as follows:

Funding Source	Grant Recognized	
	2013	2012
Bridge Program:		
NYS Division of Probation and Correctional Alternatives	\$ 24,534	\$ 32,756
Jefferson County Stop DWI	11,000	10,000
Total Bridge Program Grant Revenue	\$ 35,534	\$ 42,756
Hearth Program:		
Jefferson County Department of Social Services	\$ 315,798	\$ 262,614
Critical Needs Program:		
Jefferson County Department of Social Services	\$ 21,775	\$ 0

NOTE 9 – 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 2013 and 2012, these food donations are valued at \$59,879 and \$62,570, respectively.

The Organization also receives significant amounts of donated food from churches, local businesses, 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 2013 and 2012, these non-cash items were assigned a dollar value of \$196,825 and \$176,151 and recorded as both donated food revenue and an expense.

The Organization will receive cash contributions that are used to purchase food pantry items and provide support for the operation of the food pantry. In 2013 and 2012, the amounts expended for the food pantry were \$7,470 and \$9,592, respectively and the remaining amounts of cash contributions used for operational expenses were \$50,862 and \$40,910, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals for 2012

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31 consist of the following:

	2013	2012
Capital Campaign	\$ 1,462,523	\$ 534,508
Wheels for Work Program Income	<u>0</u>	<u>3,410</u>
Temporarily Restricted Net Assets	<u>\$ 1,462,523</u>	<u>\$ 537,918</u>

NOTE 11 – UNRESTRICTED NET ASSETS

Included in the unrestricted net assets are the following at December 31:

	2013	2012
Unrestricted	\$ 895,622	\$ 677,116
Board Designated for Long Term Investment	<u>146,233</u>	<u>146,233</u>
Unrestricted Net Assets	<u>\$ 1,041,855</u>	<u>\$ 823,349</u>

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 board of directors designated the amount for long term investment.

NOTE 12 – PERMANENTLY RESTRICTED NET ASSETS

Investments include \$26,229 permanently restricted by the Estate of Clara G. Schrodt. The amount permanently restricted represents the principal amount of the initial bequest. The Organization must invest the principal amount of the gift and interest only can be used for operating purposes.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals for 2012

NOTE 13 – PROMISES TO GIVE

The unconditional promises to give for the capital campaign as of December 31, 2013 and 2012 are as follows:

	2013	2012
Unconditional Promises to Give Before Allowance for Uncollectible Amounts and Unamortized Discount	\$ 938,239	\$ 471,889
Less: Allowance for Uncollectible Amounts	<u>(46,912)</u>	<u>(23,594)</u>
	891,327	448,295
Less: Unamortized Discount	<u>(34,812)</u>	<u>(20,785)</u>
Net Unconditional Promises to Give	856,515	427,510
Amounts Due In:		
Less than One Year	262,097	111,931
One to Five Years	592,779	315,579
Five to Ten Years	<u>1,639</u>	<u>0</u>
Total	<u>\$ 856,515</u>	<u>\$ 427,510</u>

As of December 31, 2013 and 2012, the allowance for uncollectible amounts is estimated at 5% of total unconditional promises to give net of collections. As of December 31, 2013 and 2012 unconditional promises to give not expected to be collected within one year are recorded at the present value of their estimated future cash flows based on a discount rate of 3%. The discount rate is determined by management.

NOTE 14 – CAPITAL CAMPAIGN

In 2012 the Organization embarked on a five year capital campaign to raise \$2,000,000 to renovate the building to make the facilities more efficient and better suited for the Organization's programs. The Organization has recognized \$1,605,151 in contributions and has incurred approximately \$142,628 in costs related to the building since inception of the campaign. The capital campaign includes a \$300,000 endowment. The Northern New York Community Foundation (the "Foundation") has pledged their support of \$200,000 towards the capital campaign. The Foundation will match the first \$100,000 raised for the endowment fund. As of December 31, 2013, \$65,090 was raised for the endowment fund and deposited with the Foundation. Also, the Foundation has released \$50,000 with the first million dollars raised in 2013. The final \$50,000 will be released with the second million dollars raised by the Organization.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals for 2012

NOTE 15 – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Codification, “Fair Value Measurements” defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value instruments. That standard provides a consistent definition of fair values, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of the information used in the valuation of an asset or liability as of the measurement date.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 Quoted prices are available in active markets for identical investments as of the reporting date.

- Level 2 Inputs, including broker quotes, are generally those other than exchanged quoted prices in active markets, which are either directly or indirectly observable as of the reporting date and fair value is determined through the use of models or other valuation methodologies.

- Level 3 Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment of estimation. Investments that included in this category generally include privately held investments and partnership interests.

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 December 31, 2013.

Debt securities, equity securities, mixed asset fund: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above 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 fair value measurement at the reporting date.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals for 2012

NOTE 15 – FAIR VALUE MEASUREMENTS - Continued

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2013:

	Level 1	Level 2	Level 3	Total
Debt Securities, Equity Securities, Mixed Asset Fund	\$ 313,047	\$ 0	\$ 0	\$ 313,047
Total Assets at Fair Value	\$ 313,047	\$ 0	\$ 0	\$ 313,047

The Organization's assets at fair value as of December 31, 2012:

	Level 1	Level 2	Level 3	Total
Debt Securities, Equity Securities, Mixed Asset Fund	\$ 291,331	\$ 0	\$ 0	\$ 291,331
Total Assets at Fair Value	\$ 291,331	\$ 0	\$ 0	\$ 291,331

NOTE 16 – 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, 2014. The interest rate is 5.5% at December 31, 2013. The amount outstanding at December 31, 2013 and 2012 was \$0 and \$33,200, respectively. The line is secured by the building at 247 Factory Street and all assets of the Organization.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals for 2012

NOTE 17 – LONG TERM DEBT

The Watertown Urban Mission, Inc. entered into a mortgage with Watertown Savings Bank in the amount of \$251,913 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, 2013 is 4.625%. The maturity date is March 1, 2024. The monthly principal and interest payment is \$1,723 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. The outstanding balance at December 31, 2013 and 2012 was \$159,175 and \$174,498, respectively.

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

2014	\$	13,600
2015		14,243
2016		14,915
2017		15,620
2018		16,358
Thereafter		<u>84,439</u>
Total	\$	<u>159,175</u>

NOTE 18 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest was as follows for the years ended December 31:

	2013	2012
Interest	\$ <u>8,174</u>	\$ <u>13,777</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 with Comparative Totals for 2012

NOTE 19 – ADVERTISING

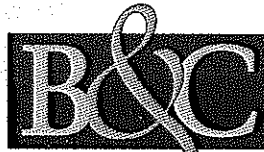
The Organization expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2013 and 2012 is \$6,087 and \$1,599, respectively.

NOTE 20 – RESTATED FINANCIAL STATEMENTS

The statement of financial position and the statement of cash flows were restated to reclassify \$29,930 that was previously reported as a restricted deposit for long term purposes to restricted cash. There was no effect on the net assets.

NOTE 21 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 28, 2014 which is the date the financial statements were available to be issued.



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' 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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Watertown Urban Mission, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Watertown Urban Mission, Inc.'s internal control over financial reporting (internal control) to determine 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

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

Bowers & Company

Watertown, New York
February 28, 2014