

*Report of Audit*

*on the*

*Financial Statements*

*of the*

*Somerset Home for*  
*Temporarily Displaced*  
*Children, Inc.*

*for the*

*Years Ended*  
*December 31, 2010 and 2009*

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

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# SUPLEE, CLOONEY & COMPANY

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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Somerset Home for Temporarily  
Displaced Children, Inc.  
49 Brahma Avenue  
Bridgewater, New Jersey 08807

We have audited the accompanying Statements of Financial Position of Somerset Home for Temporarily Displaced Children, Inc. as of December 31, 2010 and 2009 and the related Statements of Activity, Statements of Functional Expenses and the Statements of Cash Flows for the years then ended. These financial statements are the responsibility of management. 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, Government Auditing Standards issued by the Comptroller General of the United States, the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Non-Profit Institutions" and State of New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions 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 in the first paragraph present fairly, in all material respects, the financial position of Somerset Home for Temporarily Displaced Children, Inc. as of December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## SUPLEE, CLOONEY & COMPANY

In accordance with Government Auditing Standards, we have also issued a report dated April 1, 2011 on our consideration of Somerset Home for Temporarily Displaced Children, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information included in the schedules of expenditures of federal awards and state financial assistance and the other supplementary schedules and data listed in the table of contents is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and Grants and State Aid" and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

April 1, 2011

A handwritten signature in cursive script that reads "Suplee, Clooney & Company". The signature is written in black ink and is positioned to the right of the date.

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 520,141	\$ 1,336,730
Investments	386,883	115,181
Accounts Receivables	403,640	499,474
Security Deposits	5,583	
<u>Total Current Assets</u>	<u>1,316,247</u>	<u>1,951,385</u>
Fixed Assets:		
Land	558,714	382,197
Buildings and Improvements	3,047,501	2,721,286
Furniture and Equipment	350,906	350,496
Vehicles	354,565	350,075
	<u>4,311,686</u>	<u>3,804,054</u>
Less Accumulated Depreciation	<u>(2,563,086)</u>	<u>(2,359,089)</u>
<u>Net Fixed Assets</u>	<u>1,748,600</u>	<u>1,444,965</u>
<u>TOTAL ASSETS</u>	<u>\$ 3,064,847</u>	<u>\$ 3,396,350</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 88,292	\$ 114,784
Overpayments Payable	518,879	937,379
Deferred Income	2,231	52,734
Mortgages Payable		188,672
Notes Payable	693,889	490,946
<u>Total Liabilities</u>	<u>1,303,291</u>	<u>1,784,515</u>
Net Assets:		
Unrestricted	1,507,504	1,353,403
Temporarily Restricted	106,597	126,797
Permanently Restricted	147,455	131,635
<u>Total Net Assets</u>	<u>1,761,556</u>	<u>1,611,835</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 3,064,847</u>	<u>\$ 3,396,350</u>

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

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

STATEMENTS OF ACTIVITY  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010				2009			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support and Revenue</u>								
Support:								
Governmental Grants	\$ 3,198,185			\$ 3,198,185	\$ 3,021,133			\$ 3,021,133
Foundation and Corporate Grants	92,922			92,922	53,550			53,550
Indirect Public Support	14,224			14,224	70,209			70,209
Contributions	45,263	\$ 81,490	\$ 15,493	142,246	64,926	\$ 55,500	\$ 20,262	140,688
<u>Total Support</u>	<u>3,350,594</u>	<u>81,490</u>	<u>15,493</u>	<u>3,447,577</u>	<u>3,209,818</u>	<u>55,500</u>	<u>20,262</u>	<u>3,285,580</u>
Revenue:								
Program Revenue	88,269			88,269	125,562			125,562
Fundraising	33,676			33,676	37,493			37,493
Realized Gain			14,174	14,174			15,324	15,324
Other Revenue	13,079			13,079	7,822			7,822
Interest Income	19,536			19,536	12,001			12,001
Net Assets Released from Restrictions	115,537	(101,690)	(13,847)	30,953	30,953	(30,953)		
<u>Total Revenue</u>	<u>270,097</u>	<u>(101,690)</u>	<u>327</u>	<u>168,734</u>	<u>213,831</u>	<u>(30,953)</u>	<u>15,324</u>	<u>198,202</u>
<u>Total Support and Revenue</u>	<u>3,620,691</u>	<u>(20,200)</u>	<u>15,820</u>	<u>3,616,311</u>	<u>3,423,649</u>	<u>24,547</u>	<u>35,586</u>	<u>3,483,782</u>
Expenses:								
Program Services	3,082,555			3,082,555	3,029,754			3,029,754
Support Services	348,390			348,390	339,433			339,433
Fund Raising	35,645			35,645	36,970			36,970
<u>Total Expenses</u>	<u>3,466,590</u>			<u>3,466,590</u>	<u>3,406,157</u>			<u>3,406,157</u>
Change in Net Assets	154,101	(20,200)	15,820	149,721	17,492	24,547	35,586	77,625
Net Assets Beginning of Year	1,353,403	126,797	131,635	1,611,835	1,335,911	102,250	96,049	1,534,210
Net Assets End of Year	<u>\$ 1,507,504</u>	<u>\$ 106,597</u>	<u>\$ 147,455</u>	<u>\$ 1,761,556</u>	<u>\$ 1,353,403</u>	<u>\$ 126,797</u>	<u>\$ 131,635</u>	<u>\$ 1,611,835</u>

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

## EXHIBIT "C"

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 149,721	\$ 77,625
Add (Deduct) Expenses and Income Not Using Working Capital:		
Depreciation	203,997	199,979
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used For) Operating Activities:		
Accounts Receivable	95,834	(117,986)
Security Deposits	(5,583)	
Accounts Payable and Accrued Expenses	(26,492)	(2,023)
Overpayments Payable	(418,500)	255,606
Deferred Revenue	(50,503)	52,734
<u>Net Cash Provided (Used) By Operating Activities</u>	<u>(51,526)</u>	<u>465,935</u>
Cash Flows From Investing Activities:		
Acquisitions of Fixed Assets	(507,632)	(115,792)
Purchase of Investments	(257,855)	
<u>Net Cash Used By Investing Activities</u>	<u>(765,487)</u>	<u>(115,792)</u>
Cash Flows From Financing Activities:		
Payment of Loans	(12,057)	(39,519)
Payment of Mortgages	(188,672)	
Loan Proceeds	215,000	58,156
Receipt of Endowment Funds	(13,847)	(35,547)
<u>Net Cash Provided (Used) By Financing Activities</u>	<u>424</u>	<u>(16,910)</u>
Net Increase (Decrease) in Cash	(816,589)	333,233
Cash and Cash Equivalents - Beginning of Year	1,336,730	1,003,497
Cash and Cash Equivalents - End of Year	<u>\$ 520,141</u>	<u>\$ 1,336,730</u>
SUPPLEMENTAL DISCLOSURE:		
Interest paid	<u>\$ 2,504</u>	<u>\$ 14,190</u>

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

## SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010				2009			
	PROGRAM EXPENSES	GENERAL AND ADMINISTRATIVE EXPENSES	FUND RAISING EXPENSES	TOTAL EXPENSES	PROGRAM EXPENSES	GENERAL AND ADMINISTRATIVE EXPENSES	FUND RAISING EXPENSES	TOTAL EXPENSES
Salaries	\$ 1,873,651	\$ 187,365	\$ 20,818	\$ 2,081,834	\$ 1,856,501	\$ 185,650	\$ 20,628	\$ 2,062,779
Payroll Taxes	179,655	17,966	1,996	199,617	162,766	16,277	1,809	180,852
Fringe Benefits	266,957	26,696	2,966	296,619	239,938	23,994	2,666	266,598
Travel	27,873	2,787	310	30,970	21,000	2,100	233	23,333
Interest Expense	2,276	228		2,504	12,771	1,277	142	14,190
Van Expense	14,921		87	15,008	14,108		102	14,210
Repairs and Maintenance	82,580	4,128	207	86,915	85,726	4,286	226	90,238
Insurance	56,183	2,957		59,140	55,391	2,915		58,306
Communications	34,588	5,492	604	40,684	38,674	6,142	682	45,498
Professional Fees		39,273	1,225	40,498		32,434	1,225	33,659
Occupancy	81,398	4,284		85,682	72,348	3,808		76,156
Office Expenses	16,517	11,044	3,993	31,554	18,709	10,535	4,515	33,759
Printing	9,875	9,510	364	19,749	15,255	4,068	1,017	20,340
Postage	3,268	1,634	545	5,447	5,348	2,674	891	8,913
Dues and Subscriptions	21,181	7,060		28,241	24,145	8,049		32,194
Recreation	17,410			17,410	16,978			16,978
House Expenses	36,806			36,806	28,240			28,240
Food Expenses	108,974		85	109,059	106,647		308	106,955
Client Assistance	26,925			26,925	36,721			36,721
Advertising	3,774	339	405	4,518	4,877	430	526	5,833
Professional Development	34,146	8,537		42,683	33,630	8,407		42,037
Bank Charges		530		530		254		254
Contributions		200		200		510		510
Insurance Offset						7,625		7,625
Depreciation	183,597	18,360	2,040	203,997	179,981	17,998	2,000	199,979
<b>TOTAL</b>	<b>\$ 3,082,555</b>	<b>\$ 348,390</b>	<b>\$ 35,645</b>	<b>\$ 3,466,590</b>	<b>\$ 3,029,754</b>	<b>\$ 339,433</b>	<b>\$ 36,970</b>	<b>\$ 3,406,157</b>

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

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

Nature of Activities

Somerset Home for Temporarily Displaced Children, Inc. (the "Organization") is a nonprofit corporation dedicated to providing a variety of services to youth and young adults at risk of homelessness or maltreatment. Located in Bridgewater, NJ, the Organization provides services to youths throughout New Jersey.

Program Activities

Brahma House - Short Term Crisis Group Home and Shelter Program  
Street SMART - Street Outreach Program  
Pathways - Independent Living Skills Education Program  
Passages - Transitional Living Program  
My Place - Transitional Living Program  
Whitney House - Transitional Living Program  
Bridge House - Supportive Housing

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements on the accrual basis.

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

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

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all monies in banks and highly liquid investments with maturity dates of less than three months to be cash equivalents.

Investments

Investments in marketable securities and debt securities in the statement of financial position are valued at their fair values based on quoted market prices or prices which are provided by investment managers that are obtained from independent sources they believe to be reliable. Realized and unrealized gains and losses are included in the statement of activities.

Revenue Recognition

Federal and certain State funds are received on a cost reimbursement basis. Revenue with respect to these federal and state awards is recognized to the extent of expenses incurred under the award terms. Upon completion or expiration of a grant, unexpended funds are not available to the Organization.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All 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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activity as net assets released from restrictions.

Use of Estimates

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

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Property and equipment are stated at cost at date of acquisition. Depreciation is based on estimated useful life of the acquired asset, applied on a straight line basis.

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private organization" within the meaning of Section 509(a)(1) of the Code.

Financial Accounting Standards Board Interpretation No. 48 requires that an organization recognize in the financial statements the impact of its tax position if that position was not to be sustained on review, based on the technical merits of the position. During the year ended December 31, 2010, the Organization performed an evaluation of its tax positions and did not note any matters that would require recognition in the statement of activities or which may have an effect on its tax-exempt status.

Functional Allocation of Expenses

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

Contributed Services

The Organization receives a substantial amount of services donated by its volunteers in carrying out the organization's purpose. No amounts have been reflected in the financial statements for those services.

(2) FINANCIAL DEPENDENCY

The Organization receives approximately eighty-eight percent (88%) of its operating support from governmental grants and contracts. The Organization is economically dependent on these grants to carry on its operations.

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

(3) CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Checking Accounts	\$432,325	\$1,212,253
Certificates of Deposit	85,516	121,608
Petty Cash	<u>2,300</u>	<u>2,869</u>
	<u>\$520,141</u>	<u>\$1,336,730</u>

The Organization maintains its accounts in three separate financial institutions. Bank balances on deposit are insured by the Federal Deposit Insurance Corporation in the amount of \$250,000 in each bank depository. The cash and securities held by brokerage firms are protected by the Security Investment Protection Corporation. Generally, funds are protected up to a ceiling of \$500,000 per customer, including a maximum of \$250,000 for cash claims.

(4) CREDIT RISK

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on its cash accounts.

(5) INVESTMENTS

The fair value of investments is summarized as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Mutual Funds – Level 1	<u>\$386,883</u>	<u>\$359,503</u>	<u>\$115,181</u>	<u>\$116,311</u>

Investments are stated at fair value. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges (Level 1 measurements).

The primary objective of the Organization's investments is capital appreciation and return without undue exposure to risk. Investment funds are selected to support long-term goals, and provide growth of Endowment assets at a rate that that will provide available funds for program expenses and growth to endowment assets.

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

(6) FAIR VALUE MEASUREMENTS

The Organization's assets and liabilities reported at fair value are valued using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy defines three levels of inputs, giving the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

Level 1 Measurements - Quoted prices for identical instruments in active markets. Assets utilizing Level 1 inputs are marketable securities and other investments that are actively traded and provide the basis for fair value measurement.

Level 2 Measurements – Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly; quoted prices for identical or similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data, for substantially the full term of the assets or liabilities.

Level 3 Measurements - Significant inputs to the valuation model are unobservable. Currently, the Organization does not have any Level 3 financial instrument inputs.

The fair-value hierarchy for assets and liabilities measured at fair value is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment at Fair Value: Marketable Securities	<u>\$386,883</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>\$386,883</u>
		<u>2009</u>		<u>Total</u>
Investment at Fair Value: Marketable Securities	<u>\$115,181</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>\$115,181</u>

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

(7) ENDOWMENT FUND

The Organization's endowment fund consists of several funds established for a variety of purposes. The funds are restricted by donors. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of any subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund; (2) The purposes of the Organization and the donor-restricted endowment fund; (3) General economic conditions; (4) The possible effect of inflation and deflation; (5) The expected total return from income and the appreciation of investments; (6) Other resources of the Organization; and (7) The investment policies of the Organization.

Endowment fund net asset composition by type of fund at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Permanently Restricted Net Assets	\$147,455	\$131,635

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

(7) ENDOWMENT FUND (CONTINUED)

Changes in Endowment Funds for the years ended December 31, 2010 and 2009:

	<u>2010</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, December 31, 2009	\$ - 0 -	\$ - 0 -	\$131,635	\$131,635
Contributions			15,493	15,493
Investment Income				
Net Realized/Unrealized Gains/(Losses)			14,174	14,174
Transfers to/from Operating Appropriations for Expenses			(13,847)	(13,847)
Balance, December 31, 2010	\$ <u>- 0 -</u>	\$ <u>- 0 -</u>	\$ <u>147,455</u>	\$ <u>147,455</u>

	<u>2009</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, December 31, 2008	\$ - 0 -	\$ - 0 -	\$96,049	\$96,049
Contributions			20,262	20,262
Investment Income				
Net Realized/Unrealized Gains/(Losses)			15,324	15,324
Transfers to/from Operating Appropriations for Expenses				
Balance, December 31, 2009	\$ <u>- 0 -</u>	\$ <u>- 0 -</u>	\$ <u>131,635</u>	\$ <u>131,635</u>

Endowment Fund balances at December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Cash	\$ 1,681	\$ 17,801
Fixed Income Funds	49,097	33,903
Stock Mutual Funds	86,764	68,613
Other Assets	<u>9,913</u>	<u>11,318</u>
	\$ <u>147,455</u>	\$ <u>131,635</u>

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

(8) FIXED ASSETS

Fixed assets are stated at cost at date of acquisition. The Organization follows the practice of capitalizing all fixed assets acquisitions. Depreciation is computed on a straight-line basis over the estimated service lives of the assets. At December 31, 2010 and 2009 such assets were:

	<u>2010</u>	<u>2009</u>
Land	\$ 558,714	\$ 382,197
Building and Improvements	3,047,501	2,721,286
Furniture and Equipment	350,906	350,496
Vehicles	<u>354,565</u>	<u>350,075</u>
	4,311,686	\$ 3,804,054
Less: Accumulated Depreciation	<u>(2,563,086)</u>	<u>(2,359,089)</u>
Net Land, Building and Equipment	<u>\$ 1,748,600</u>	<u>\$ 1,444,965</u>

(9) PENSION PLAN

The Organization has established a defined contribution pension plan for the benefit of its employees. The plan is noncontributory and covers full time employees who are at least twenty-one years of age and who have completed twelve months and 1,000 hours of service.

Under the plan, a predetermined contribution is made to the account of each eligible employee, based on annual compensation levels, and accrued for their benefit. Total contributions and related expenses for the year ended December 31, 2010 and 2009 was \$72,957 and \$78,250, respectively.

The Organization has established a 401(k) plan with an employer matching program. For the years ending December 31, 2010 and 2009, the Organization contributed \$35,840 and \$33,253 in matching funds, respectively.

(10) MORTGAGES PAYABLE

- (a) During 1996, the Organization refinanced the mortgages secured by the land and building located at 49 Brahma Avenue, Bridgewater, New Jersey. The refinancing mortgage is a 30 year, fixed rate, 7.95% mortgage secured by the property and building located at 47-49 Brahma Avenue, Bridgewater, New Jersey. It is payable in monthly installments of \$1,205 and matures in December 2026. The principal balance at December 31, 2010 is \$ - 0 -.
- (b) During 1993, the Organization obtained a 20-year adjustable-rate mortgage, secured by the Passages building located in Bridgewater, New Jersey. The balance is payable in monthly installments of \$1,609, which may be subject to change, depending on fluctuations in the interest rate. The mortgage is scheduled to mature on March 1, 2013. The outstanding principal balance at December 31, 2010 is \$ - 0 -.

In March of 2010 the Organization paid off the balances of both these mortgages.

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

(11) NOTES PAYABLE

The Organization has note obligations consisting of the following:

- (a) The Organization is obligated to the New Jersey Department of Human Services under six separate 20-year notes. The notes were created in accordance with the Division of Youth and Family Services' capital funding agreement for construction of the Passages group home facility, the renovation of the Residential shelter/group home and improvements at My Place. The amount of each note shall be reduced for each full year of service provided by the facilities, with full satisfaction of the notes by the year 2012, 2014, 2019, 2020, 2025 and 2029 respectively. For the year ending December 31, 2010, \$11,214 was reduced against these notes. The outstanding balance of the notes at December 31, 2010 is \$133,979.
- (b) The Organization is obligated to the New Jersey Department of Human Services on a promissory note in the amount of \$100,000. The note is secured by the My Place group home located in Bridgewater, New Jersey and is payable should the Organization cease operations.
- (c) The Organization is obligated to the New Jersey Department of Human Services on a promissory note in the amount of \$25,000. The note is secured by the Whitney House group home located in Bridgewater, New Jersey and is payable should the Organization cease operations.
- (d) The Organization is obligated to the County of Somerset on a loan in the amount of \$260,010. The loan is secured by the Whitney House group home located in Bridgewater, New Jersey and is a Permanent Development Loan.
- (e) The Organization is obligated to the County of Somerset on a loan in the amount of \$175,000. The loan is secured by the Bridge House group home located in Bridgewater, New Jersey.

(12) NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Restricted purpose accomplished during the periods ended December 31:

	<u>2010</u>	<u>2009</u>
Program Services	<u>\$115,537</u>	<u>\$30,953</u>

(13) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2010 are available for the following purposes:

Improvement Fund	<u>\$106,597</u>
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SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

(14) UNRESTRICTED NET ASSETS

Unrestricted net assets at December 31, 2010 are comprised of the following:

General Operating Net Assets	<u>\$1,507,504</u>
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(15) SUBSEQUENT EVENTS

Somerset Home for Temporarily Displaced Children, Inc. has evaluated subsequent events occurring after the financial statement date through April 1, 2011, which is the date the financial statements were available to be issued. Based on this evaluation, Somerset Home for Temporarily Displaced Children, Inc. has determined that no subsequent events have occurred which require disclosure in the financial statements.

(16) OVERPAYMENT PAYABLE

The Organization has received funding and payments for services in error. These funds are reflected as overpayments payable and are in the process of being refunded. The Organization has refunded \$734,174 in 2010 and has an overpayment payable totaling \$518,879 at December 31, 2010 and \$937,379 at December 31, 2009.

(17) CONTINGENT LIABILITIES - GRANTS

The Organization participates in federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. The federal and state grants received and expended were subject to the Single Audit Act Amendments and State of New Jersey OMB Circular 04-04, which mandates that grant revenues and expenditures be audited in conjunction with the Organization's annual audit. Findings and questioned costs, if any, relative to state financial assistance programs will be discussed in detail in the Schedule of Findings and Questioned Costs. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives.

(18) TAXES DUE GOVERNMENT ENTITIES

All taxes due government entities, incurred during 2010, have been examined and were found to be paid in correct amounts and in a timely manner.

(19) COMMITMENTS, CONTINGENCY AND SUBSEQUENT EVENT

In the opinion of management, claims, lawsuits, commitments and contingencies incidental to the business of the Organization have been adequately provided for in the financial statements.

## SINGLE AUDIT SECTION

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**Section I - Summary of Auditor's Results**

**Financial Statements**

- (1) Type of Auditor's Report Issued: Unqualified
- (2) Internal Control Over Financial Reporting:
- (a) Material weaknesses identified? No
- (b) Significant deficiencies identified that are not considered to be material weaknesses? N/A
- (3) Noncompliance material to the basic financial statements noted? No

**Federal Program(s)**

- (1) Internal Control Over Major Federal Program(s):
- (a) Material weaknesses identified? None Reported
- (b) Significant deficiencies identified that are not considered to be material weaknesses? N/A
- (2) Type of Auditor's Report issued on compliance for major federal program(s)? Unqualified
- (3) Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133? None Reported
- (4) Identification of Major Federal Programs:

<u>Grant Program</u>	<u>CFDA</u>	<u>Award Period</u>	<u>Type</u>	<u>Amount</u>	<u>Amounts Expended</u>
Department of Human Services:					
Brahama House – Basic Services	93.623	9/30/10-9/29/11	A	\$ 200,000	\$ 64,219
Brahama House – Basic Services	93.623	9/30/09-9/29/10	A	\$ 200,000	\$ 157,761
Brahama House – Street Outreach	93.557	9/30/10-9/29/11	A	\$ 100,000	\$ 31,054
Brahama House – Street Outreach	93.557	9/30/09-9/29/10	A	\$ 100,000	\$ 77,048
Bridge House	93.557	9/30/10-2/29/12	A	\$ 400,000	\$ 94,980

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**Section I - Summary of Auditor's Results**

**Federal Program(s) (Continued)**

(5) Program Threshold Determination:

Type A Federal Program Threshold > \$300,000.00

Type B Federal Program Threshold <= \$300,000.00

(6) Auditee qualified as a low-risk auditee under OMB Circular A-133? Yes

**State Program(s)**

(1) Internal Control Over Major State Programs:

(a) Material weaknesses identified? None Reported

(b) Significant deficiencies identified that are not considered to be material weaknesses? N/A

(2) Type of Auditor's Report issued on compliance for major state program(s)? Unqualified

(3) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04? None Reported

(4) Identification of Major State Program(s):

<u>Grant Program</u>	<u>Award Period</u>	<u>Type</u>	<u>Award Amount</u>	<u>Amounts Expended</u>
Passages Group Home	1/1/10-12/31/11	A	\$1,879,750	\$804,173

(5) Program Threshold Determination:

Type A State Program Threshold > \$300,000.00

Type B State Program Threshold <= \$300,000.00

(6) Auditee qualified as a low-risk auditee under OMB Circular A-133? Yes

**SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**Section II - Financial Statement Audit - Reported Findings Under  
Government Auditing Standards**

**Internal Control Findings**

None Reported

**Compliance Findings**

None Reported

**Section III - Findings and Questioned Costs Relative to Major Federal and State Programs**

Federal Programs – Not Applicable

State Programs – None Reported

**Status of Prior Audit Findings**

Federal Programs - None Reported

State Programs - None Reported

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Programs - None Reported

State Programs - None Reported



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

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

The Board of Trustees  
Somerset Home for Temporarily  
Displaced Children, Inc.  
49 Brahma Avenue  
Bridgewater, New Jersey 08807

We have audited the financial statements of Somerset Home for Temporarily Displaced Children, Inc. as of and for the year ended December 31, 2010 and have issued our report thereon dated April 1, 2011, in which we expressed an unqualified opinion. 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

In planning and performing our audit, we considered Somerset Home for Temporarily Displaced Children, Inc.'s internal control over financial reporting as a basis for designing our audit 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 Somerset Home for Temporarily Displaced Children, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Somerset Home for Temporarily Displaced Children, 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 combination of deficiencies, in internal control, such that there is a 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 the internal control over financial reporting was limited for the purposes 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.

## SUPLEE, CLOONEY & COMPANY

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Somerset Home for Temporarily Displaced Children, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 Somerset Home for Temporarily Displaced Children, Inc. and federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

April 1, 2011

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO MAJOR  
STATE FINANCIAL ASSISTANCE PROGRAMS AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A -133 AND NEW JERSEY OMB CIRCULAR 04-04**

Board of Trustees  
Somerset Home for Temporarily  
Displaced Children, Inc.  
49 Brahma Avenue  
Bridgewater, New Jersey 08807

## Compliance

We have audited the compliance of Somerset Home for Temporarily Displaced Children, Inc. with the types of compliance requirements described in the State of New Jersey, State Grant Compliance Supplement that are applicable to each of its major state programs for the year ended December 31, 2010. Somerset Home for Temporarily Displaced Children, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of Somerset Home for Temporarily Displaced Children, Inc.'s management. Our responsibility is to express an opinion on Somerset Home for Temporarily Displaced Children, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133 "Audits of State, Local Governments and Non-Profit Organizations" and State of New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about Somerset Home for Temporarily Displaced Children, Inc.'s compliance with those 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. Our audit does not provide a legal determination on Somerset Home for Temporarily Displaced Children, Inc.'s compliance with those requirements.

In our opinion, Somerset Home for Temporarily Displaced Children, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the period ended December 31, 2010.

# SUPLEE, CLOONEY & COMPANY

## Internal Control Over Compliance

The management of the Somerset Home for Temporarily Displaced Children, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Somerset Home for Temporarily Displaced Children, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, 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 Somerset Home for Temporarily Displaced Children, Inc.'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 federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of Somerset Home for Temporarily Displaced Children, Inc. and federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

April 1, 2011



SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE PERIOD ENDED DECEMBER 31, 2010

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL C.F.D.A. NUMBER	GRANT AWARD	GRANT PERIOD		2010 EXPENDITURES
			FROM	TO	
Department Human Services:					
Brahma House - Basic Center	93.623	\$ 200,000	09/30/10	09/29/11	\$ 64,219
Brahma House - Basic Center	93.623	\$ 200,000	09/30/09	09/29/10	157,761
Brahma House - Street Outreach	93.557	\$ 100,000	09/30/10	09/29/11	31,054
Brahma House - Street Outreach	93.557	\$ 100,000	09/30/09	09/29/10	77,048
Bridge House	93.557	\$ 400,000	09/30/10	02/29/12	94,980
Department of Agriculture:					
Pass-Through State of New Jersey Department of Education:					
Bureau of Child Nutrition Programs					
Brahma House	10.558		10/01/10	09/30/11	3,440
Brahma House	10.558		10/01/09	09/30/10	9,791
Transitional Living Programs	10.558		10/01/10	09/30/11	6,404
Transitional Living Programs	10.558		10/01/09	09/30/10	17,344
Pass-Through County of Somerset:					
Community Development Block Grant	14.218	\$ 10,800	09/01/10	08/31/11	3,600
Community Development Block Grant	14.218	\$ 29,250	09/01/10	08/31/11	9,750
Community Development Block Grant	14.218	\$ 22,000	09/01/09	08/31/10	14,667
Community Development Block Grant	14.218	\$ 27,700	09/01/09	08/31/10	18,467
					\$ 508,525

SCHEDULE 2

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE PERIOD ENDED DECEMBER 31, 2010

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<u>STATE GRANTOR/PROGRAM TITLE</u>	<u>GRANT AWARD AMOUNT</u>	<u>GRANT PERIOD</u>		<u>2010 EXPENDITURES</u>
		<u>FROM</u>	<u>TO</u>	
State of New Jersey Department of Children and Families: Division of Youth and Family Services: My Place	\$ 359,795	01/01/10	12/31/10	\$ 359,795
Whitney House	\$ 315,893	01/01/10	12/31/10	315,893
Passages	\$ 77,121	01/01/10	12/31/10	77,121
Pathways	\$ 138,538	01/01/10	12/31/10	138,538
Brahma House		01/01/10	12/31/10	656,151
Office of Education: Educational Services		09/01/10	06/30/11	19,497
Educational Services		09/01/09	06/30/10	46,032
Division of Child Behavioral Health: Passages Group Home	\$ 1,879,750	01/01/10	12/31/11	804,173
Pass-Through County of Somerset: Shelter Services	\$ 210,000	01/01/10	12/31/10	<u>210,000</u>
				<u>\$ 2,627,200</u>

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO THE SCHEDULES OF EXPENDITURES  
OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

PERIOD ENDED DECEMBER 31, 2010

(1) GENERAL

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal awards and state financial assistance programs of Somerset Home for Temporarily Displaced Children, Inc. The Organization is defined in the Notes to the Organization's financial statements. All federal awards and state financial assistance received directly from federal or state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

(2) BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented using the accrual basis of accounting.

(3) RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Organization's financial statements.

(4) RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

(5) OTHER

Matching contributions expended by the Organization in accordance with terms of the various grants are not reported in the accompanying schedules.