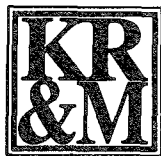


COVENANT TO CARE FOR CHILDREN, INC.

**REPORT ON AUDIT
JUNE 30, 2012 AND 2011**



Kircaldie, Randall & McNab LLC

Certified Public Accountants

81 Wolcott Hill Road
Wethersfield, Connecticut 06109-1242

Members
American Institute of
Certified Public Accountants

Offices
Wethersfield - North Haven

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Covenant to Care for Children, Inc.

We have audited the accompanying statements of financial position of COVENANT TO CARE FOR CHILDREN, INC. (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 the 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 Covenant to Care for Children, Inc. as of June 30, 2012 and 2011, 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.

In accordance with *Government Accounting Standards*, we have also issued our report dated November 9, 2012, on our consideration of Covenant to Care for Children, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Kircaldie, Randall, & McNab L.L.C.

Wethersfield, Connecticut
November 9, 2012

COVENANT TO CARE FOR CHILDREN, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30,

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 196,734	\$ 222,196
Grants receivable	3,600	13,642
Prepaid expenses	5,075	2,864
Total Current Assets	<u>205,409</u>	<u>238,702</u>
Other Assets:		
Fixed assets, net	27,796	35,864
Security deposits	3,323	3,323
Total Other Assets	<u>31,119</u>	<u>39,187</u>
Total Assets	<u><u>236,528</u></u>	<u><u>277,889</u></u>
LIABILITIES		
Current Liabilities:		
Accounts payable	7,060	10,518
Accrued vacation	6,819	7,280
Accrued payroll	6,555	5,344
Total Current Liabilities	<u>20,434</u>	<u>23,142</u>
NET ASSETS		
Net Assets:		
Unrestricted:		
Undesignated	87,901	134,069
Board designated	60,171	60,171
	<u>148,072</u>	<u>194,240</u>
Temporarily restricted	68,022	60,507
Total Net Assets	<u>216,094</u>	<u>254,747</u>
Total Liabilities and Net Assets	<u><u>\$ 236,528</u></u>	<u><u>\$ 277,889</u></u>

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

COVENANT TO CARE FOR CHILDREN, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Donated goods and services	\$ 344,001	\$ 0	\$ 0	\$ 344,001	\$ 384,481	\$ 0	\$ 0	\$ 384,481
Government grants	268,041	0	0	268,041	470,865	0	0	470,865
Foundations	90,610	69,100	0	159,710	18,000	121,803	0	139,803
Individuals	34,892	0	0	34,892	38,436	0	0	38,436
Events	30,337	0	0	30,337	17,110	0	0	17,110
Corporations	15,969	0	0	15,969	15,129	0	0	15,129
Religious community	12,697	0	0	12,697	18,825	0	0	18,825
Support for food pantry	8,050	0	0	8,050	3,000	0	0	3,000
United Way	3,814	0	0	3,814	3,844	0	0	3,844
Special projects	0	1,015	0	1,015	0	1,631	0	1,631
Miscellaneous	724	0	0	724	1,960	0	0	1,960
Interest and dividend income	464	0	0	464	1,657	0	0	1,657
Unrealized gain on investments	0	0	0	0	8,386	0	0	8,386
Net assets released from restriction:								
Satisfaction of program restrictions	62,600	(62,600)	0	0	139,641	(139,641)	0	0
Total Support and Revenue	872,199	7,515	0	879,714	1,121,334	(16,207)	0	1,105,127
Expenses:								
Program services	838,330	0	0	838,330	996,163	98	0	996,261
Fundraising	51,577	0	0	51,577	51,694	0	0	51,694
Management and general	28,460	0	0	28,460	28,073	0	0	28,073
Total Expenses	918,367	0	0	918,367	1,075,930	98	0	1,076,028
Change in Net Assets	(46,168)	7,515	0	(38,653)	45,404	(16,305)	0	29,099
Net Assets, Beginning of Year	194,240	60,507	0	254,747	148,836	76,812	0	225,648
Net Assets, End of Year	\$ 148,072	\$ 68,022	\$ 0	\$ 216,094	\$ 194,240	\$ 60,507	\$ 0	\$ 254,747

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

COVENANT TO CARE FOR CHILDREN, INC.

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30,**

	2012				2011			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and Related Expenses:								
Payroll	\$ 272,566	\$ 24,355	\$ 40,461	\$ 337,382	\$ 256,074	\$ 24,542	\$ 39,610	\$ 320,226
Payroll taxes	28,324	2,195	4,115	34,634	26,328	2,152	3,859	32,339
Employee benefits	28,726	1,910	1,104	31,740	22,795	1,379	779	24,953
Total Salaries and Related Expenses	<u>329,616</u>	<u>28,460</u>	<u>45,680</u>	<u>403,756</u>	<u>305,197</u>	<u>28,073</u>	<u>44,248</u>	<u>377,518</u>
Direct Assistance:								
Clothing and donated goods	344,001	0	0	344,001	384,481	0	0	384,481
Food pantry	8,936	0	0	8,936	4,386	0	0	4,386
Special projects	0	0	0	0	98	0	0	98
Total Direct Assistance	<u>352,937</u>	<u>0</u>	<u>0</u>	<u>352,937</u>	<u>388,965</u>	<u>0</u>	<u>0</u>	<u>388,965</u>
Operating Expenses:								
Foundation expenditures	43,103	0	0	43,103	182,599	0	0	182,599
Rents	24,150	0	455	24,605	24,150	0	491	24,641
Insurance	18,447	0	0	18,447	22,106	0	0	22,106
Professional fees	14,801	0	0	14,801	15,590	0	0	15,590
Travel	13,039	0	0	13,039	11,050	0	0	11,050
Depreciation	8,068	0	0	8,068	8,261	0	0	8,261
Printing / copying	4,759	0	2,188	6,947	7,574	0	2,780	10,354
Postage	4,506	0	1,085	5,591	4,977	0	1,860	6,837
Telephone	4,594	0	0	4,594	4,828	0	0	4,828
Training and meetings	4,262	0	0	4,262	2,515	0	715	3,230
Office supply and expense	3,904	0	0	3,904	8,381	0	0	8,381
Miscellaneous	3,812	0	35	3,847	3,186	0	0	3,186
Remote access	3,519	0	0	3,519	1,453	0	0	1,453
Outside services	0	0	2,134	2,134	0	0	100	100
Payroll service	1,592	0	0	1,592	1,466	0	0	1,466
Dues and subscriptions	1,590	0	0	1,590	1,850	0	0	1,850
Equipment rental	1,181	0	0	1,181	1,409	0	0	1,409
Maintenance and repairs	450	0	0	450	620	0	0	620
Event expenses	0	0	0	0	0	0	1,500	1,500
Volunteer recognition	0	0	0	0	84	0	0	84
Total Operating Expenses	<u>155,777</u>	<u>0</u>	<u>5,897</u>	<u>161,674</u>	<u>302,099</u>	<u>0</u>	<u>7,446</u>	<u>309,545</u>
Total Expenses	<u>\$ 838,330</u>	<u>\$ 28,460</u>	<u>\$ 51,577</u>	<u>\$ 918,367</u>	<u>\$ 996,261</u>	<u>\$ 28,073</u>	<u>\$ 51,694</u>	<u>\$ 1,076,028</u>

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

COVENANT TO CARE FOR CHILDREN, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,**

	2012	2011
Cash Flows From Operating Activities:		
Increase (Decrease) in net assets	\$ (38,653)	\$ 29,099
Adjustments to reconcile increase (decrease) in net assets to net cash flows from operating activities:		
Depreciation	8,068	8,261
Unrealized (Gain) Loss on investments	0	(8,386)
(Increase) Decrease in operating assets:		
Decrease (Increase) in grants receivable	10,042	24,596
Decrease (Increase) in prepaid expenses	(2,211)	(795)
Increase (Decrease) in operating liabilities:		
Increase (Decrease) in accounts payable	(3,458)	5,780
Increase (Decrease) in accrued expenses	750	254
Net Cash Provided (Used) By Operating Activities	(25,462)	58,809
Cash Flows From Investing Activities:		
Purchases of fixed assets	0	(4,940)
Investments redeemed	0	48,607
Net Cash Provided (Used) By Investing Activities	0	43,667
Increase (Decrease) In Cash And Equivalents	(25,462)	102,476
Cash And Cash Equivalents, Beginning	222,196	119,720
Cash And Cash Equivalents, Ending	\$ 196,734	\$ 222,196
Supplemental Disclosures:		
Donated goods and services received	\$ 344,001	\$ 384,481

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

COVENANT TO CARE FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Note 1 - Organization and Summary of Significant Accounting Policies:

Organization:

Covenant to Care for Children, Inc., (hereinafter the "Organization") is a nonprofit Connecticut corporation established to connect social workers and other professionals with faith communities throughout Connecticut, in order to provide programs, goods and services to abused, neglected and impoverished children and to the families working to provide them with safe, nurturing environments. Its goal is that children have the opportunity to become healthy and productive adults through recreational, educational and social activities, mentoring programs, foster parent recruitment and support, and child welfare awareness.

Financial Statement Presentation:

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

Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

Unrestricted

Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted

Net assets whose use by the Organization is subject to either explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. The change in temporarily restricted net assets is impacted primarily by gifts with time and donor constraints; such as restricted annual fund gifts, unconditional pledges and deferred giving instruments.

Permanently Restricted

Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Organization. The Organization had no permanently restricted net assets at the statement of financial position dates.

Cash and Cash Equivalents:

All cash instruments with a maturity date of three months or less are considered as cash equivalents. During the year the amount of cash in excess of F.D.I.C. insured limits varies as cash requirements fluctuate. At June 30, 2012 and 2011, there were no uninsured balances.

COVENANT TO CARE FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Note 1 - Organization and Summary of Significant Accounting Policies (cont.):

Concentrations of Risk:

The Organization receives significant amounts of funding from the State of Connecticut. \$268,041 was received for both the years ended June 30, 2012 and 2011. Lack of such support would have a material effect on the financial statements and would impact the Organization's ability to continue as a going concern.

Income Taxes:

The Organization is a not-for-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. The Organization is a publicly supported organization. There was no unrelated business income for the years ended June 30, 2012 and 2011.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 support, revenue, and expenses during the reporting period. Actual results may differ from those estimates.

Contributed Services:

The Organization recognized contributed services for the years ended June 30, 2012 and 2011 in the amounts of \$0 and \$13,772, respectively. Donated services are valued by using appropriate average rates per hour for comparable services had they been purchased. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The Organization benefits from more than 50,000 volunteer hours per year.

Donated Goods:

Donated goods consisting of food, clothing, and other donated items are valued according to Goodwill thrift shop valuation guides. Donated goods are used for activities as described in the Organization's nature of activities. The value of donated goods received for the years ended June 30, 2012 and 2011 were \$344,001 and \$370,709, respectively.

COVENANT TO CARE FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Note 2 - Grants Receivable:

Grants receivable consists entirely of Foundation grants awarded.

Note 3 - Fixed Assets:

It is the Organization's policy to capitalize material amounts of office equipment. Lesser amounts are expensed. Purchased office equipment is capitalized at cost. Donations of office equipment are recorded at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is calculated using the straight-line method over the estimated life of the asset. Leasehold improvements are capitalized and depreciated over the life of the lease using the straight-line method.

The following is a summary of fixed assets, accumulated depreciation, and depreciation expenses charged to operations for the fiscal years ended June 30:

	2012			2011		
	Basis	Accum. Deprec.	Deprec. Exp.	Basis	Accum. Deprec.	Deprec. Exp.
Office equipment	\$ 37,843	\$ 34,068	\$ 3,367	\$ 37,843	\$ 30,701	\$ 3,559
Leasehold	42,243	19,165	2,816	42,243	16,349	2,816
Delivery truck	13,200	12,257	1,885	13,200	10,372	1,886
Fixed assets, net	\$ 93,286	\$ 65,490	\$ 8,068	\$ 93,286	\$ 57,422	\$ 8,261

Note 4 - Unrestricted - Board Designated Net Assets:

Unrestricted – board designated net assets consist of funds from donors and interest income generated from an investment account. During the year ending June 30, 2011, the Organization reclassified \$33,780 of net assets that had been previously classified as *Permanently Restricted to Unrestricted – Board Designated*. The reclassification was the result of research conducted which concluded that the original *Restricted* designation was applied in error and that the underlying donated funds were not subject to explicit donor imposed stipulations.

COVENANT TO CARE FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Note 5 - Temporarily Restricted Net Assets:

Temporarily restricted net assets consist of funds designated by donors for specific expenses. The following is a summary of temporarily restricted net assets at June 30:

	2012	2011
Walmart Foundation	29,183	\$ 30,000
Maximillian & Marion Hoffman Foundation	10,000	0
Bishop's Fund for Children	6,000	0
Ahearn Family Foundation	5,723	3,924
Prospect Methodist Church	4,000	0
Main Street Foundation	3,600	0
HFPG Strategic Technology	2,942	0
Knox Foundation	2,000	0
Build a Bear Foundation	1,419	0
Food Pantry	1,228	6,422
Thomas J. Atkins Memorial Trust Fund	1,000	0
Goldfarb Fund	500	0
B. Fox Auerbach Fund	360	0
Mortensen Foundation	67	0
Special Projects	0	3,107
Prospect Fund	0	2,900
Hartford Wolfpack Foundation	0	2,000
Hartford Foundation for Public Giving	0	9,154
Community Foundation of NW CT	0	3,000
	<u>\$ 68,022</u>	<u>\$ 60,507</u>

Note 6 - Pension:

The Organization established a 401(k) plan during the fiscal year. All employees with three months of service and at least the age of 18 are eligible to participate. Although the plan contains a provision for an employer match, there currently is none and any future match is at the discretion of the Organization. As such the Organization has no pension liability at June 30, 2012 and 2011.

Note 7 - Fair Values of Financial Instruments:

The Organization's financial instruments consist of cash and grants receivable. The Organization estimates that the fair value of all financial instruments, at June 30, 2012 and 2011, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

COVENANT TO CARE FOR CHILDREN, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 8 - Rents:

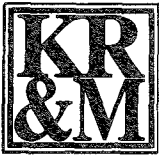
Rent consists of payments for office space in Bloomfield. The Organization's Bloomfield office space is leased informally on a month to month basis since the November 30, 2010 expiration of its prior lease agreement. Rental payments for the years ended June 30, 2012 and 2011 were \$24,150.

Note 9 – Working Capital Loan:

The Organization has an available line of credit in the amount of \$75,000 from the Greater Hartford Business Development Center. The line is available through May 31, 2013. The Organization did not utilize the line of credit during the years ended June 30, 2012 and 2011 and no balance existed at those dates.

Note 10 – Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through November 9, 2012 the date which the financial statements were available to be issued.



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

To The Board of Directors
Covenant to Care for Children, Inc.

We have audited the financial statements of Covenant to Care for Children, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 9, 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 Covenant to Care for Children, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Covenant to Care for Children, 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 Covenant to Care for Children, Inc. internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Covenant to Care for Children'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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Covenant to Care for Children, 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 solely for the information and use of the Board of Directors, management, the Office of Policy and Management, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kricalske, Randall, & McNol L.L.C.

Wethersfield, Connecticut
November 9, 2012