

**HOMELESS AND HOUSING
COALITION OF KENTUCKY, INC.**

(A Nonprofit Organization)

Report on Audited Financial Statements
For the Years Ended December 31, 2016 and 2015

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MILLER, MAYER, SULLIVAN & STEVENS LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Homeless and Housing Coalition of Kentucky, Inc.
Frankfort, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of Homeless and Housing Coalition of Kentucky, Inc. (HHCK) (a Kentucky non-profit corporation), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, and cash flows for the years 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 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 *Governmental 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to HHCK'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 HHCK's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HHCK as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and statements of functional expenses are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2017 on our consideration of HHCK'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 HHCK's internal control over financial reporting and compliance.

Miller, Mayer, Sullivan, & Stevens, LLP

Lexington, Kentucky
July 5, 2017

HOMELESS AND HOUSING COALITION OF KENTUCKY, INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2016 and 2015

	2016	2015
Assets		
Cash	\$ 83,032	\$ 120,219
Accounts receivable, other, net allowance for doubtful accounts of \$32,929 and \$39,324 for 2016 and 2015, respectively	137,701	155,797
Accounts receivable, grants	91,229	53,677
Prepaid expenses	12,704	63,607
Total assets	\$ 324,666	\$ 393,300
Liabilities		
Accounts payable	\$ 8,003	\$ 5,050
Accrued liabilities	1,908	1,401
Deferred revenue	184,706	199,371
Total liabilities	194,617	205,822
Net Assets		
Unrestricted	35,171	77,029
Unrestricted - board designated	94,878	110,449
Total net assets	130,049	187,478
Total liabilities and net assets	\$ 324,666	\$ 393,300

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

HOMELESS AND HOUSING COALITION OF KENTUCKY, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
Support and Revenue		
AmeriCorps grants	\$ 527,338	\$ 572,134
Samaritan grant	381,702	374,124
AmeriCorps site match	311,715	328,175
Housing Now grant	197,428	185,484
Samaritan tenant rent	76,033	75,452
VISTA site match	61,200	
TSSI grant	32,937	
Housing Now tenant rent	26,651	23,642
Membership dues	21,970	23,269
Advocacy grant	15,000	10,000
VISTA grant	11,159	
Conference revenue	10,900	9,200
TSSI rent	10,508	
Samaritan match	10,000	10,000
Housing Now match	10,000	10,000
Administrative support grants	10,000	15,000
TSSI match	10,000	
Donations	6,990	1,229
Miscellaneous	4,084	4,512
KICH grant	551	
HOME - TBRA grant	256	
Interest	11	113
Total support and revenue	<u>1,736,433</u>	<u>1,642,334</u>
Expenses		
AmeriCorps	857,596	848,006
VISTA	67,510	
Housing Now	241,773	238,579
Samaritan	489,588	481,270
TSSI	52,880	
HOME - TBRA	255	
KICH	551	
Lobbying	7,569	1,759
Management and general services	76,140	90,818
Total expenses	<u>1,793,862</u>	<u>1,660,432</u>
Change in net assets	(57,429)	(18,098)
Net assets, beginning of year	<u>187,478</u>	<u>205,576</u>
Net assets, end of year	<u>\$ 130,049</u>	<u>\$ 187,478</u>

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

HOMELESS AND HOUSING COALITION OF KENTUCKY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ (57,429)	\$ (18,098)
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</i>		
Bad debt	50,413	57,531
Depreciation		139
Change in:		
Accounts receivable, other	(32,317)	(91,268)
Accounts receivable, grants	(37,552)	22,856
Prepaid expenses	50,903	(45,611)
Accounts payable	2,953	(711)
Accrued liabilities	507	24
Deferred revenue	(14,665)	4,107
Net cash provided (used) by operating activities	(37,187)	(71,031)
Cash Flows from Financing Activities		
Proceeds from notes payable	83,138	46,460
Payments on notes payable	(83,138)	(46,460)
Net cash provided (used) in financing activities	—	—
Increase (decrease) in cash	(37,187)	(71,031)
Cash, beginning of year	120,219	191,250
Cash, end of year	\$ 83,032	\$ 120,219

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

HOMELESS AND HOUSING COALITION OF KENTUCKY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities. Homeless and Housing Coalition of Kentucky, Inc. (HHCK) is a nonprofit organization that advocates for more opportunities for affordable housing for low-income Kentuckians throughout the Commonwealth, and whose member organizations provide shelter, services, and permanent housing to Kentucky's homeless and low-income households. Funding is provided mainly by grants from the Corporation for National and Community Service AmeriCorps program and the U.S. Department of Housing and Urban Development.

Basis of Accounting. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used.

Cash. Cash on the statements of cash flows includes cash in bank accounts.

Accounts Receivable. Accounts receivable, other primarily includes amounts due for site matching funds under the AmeriCorps program and tenant rents under the Continuum of Care programs. Accounts receivable, grants includes reimbursement requests made under various grants for expenditures incurred. HHCK records accounts at net realizable value by recording an allowance for uncollectible accounts. At December 31, 2016 and 2015, an allowance was estimated in the amount of \$32,929 and \$39,324, respectively, related to tenant rent receivables. HHCK estimated that 100% of the accounts receivables related to grants were collectible; accordingly, no provision for bad debt expense related to grants has been included in the financial statements.

Financial Statement Presentation. The financial statements have been prepared in accordance with standards for external financial reporting by nonprofit organizations and requires that resources be classified for accounting and reporting purposes into the following three classes of net assets:

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

Temporarily restricted net assets. Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the organization or the passage of time. When a 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.

Permanently restricted net assets. Net assets that are 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 any related investment for general or specific purposes.

Contributions. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction.

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 the related net asset classes.

HOMELESS AND HOUSING COALITION OF KENTUCKY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. There were no temporarily or permanently restricted net assets as of December 31, 2016 and 2015.

Program Services. HHCK provides the following programs.

- *AmeriCorps* expenses include costs to assist, motivate, and empower homeless and very low-income Kentucky families and individuals to find and keep housing that is safe, decent, and affordable to them, and to further strive to empower Kentucky communities with an ethic of service that will sustain them.
- *VISTA* expenses include costs to build the capacity of non-profit partner agencies that provide housing services, construction and rehabilitation throughout Kentucky. These agencies serve those who are experiencing or at risk of homelessness, are low-income, and may be disabled or survivors of domestic violence.
- *Housing Now* expenses include costs for providing rental assistance to the homeless and costs for operating the grant.
- *Samaritan* expenses include costs for providing rental assistance to the homeless who are also disabled and costs for operating the grant.
- *TSSI* expenses include costs for providing rental assistance to the homeless and costs for operating the grant.
- *HOME - TBRA* expenses include costs for providing rental assistance to the homeless and costs for operating the grant.
- *KICH* expenses include costs for serving as the single statewide homeless planning and policy development resource for the Commonwealth of Kentucky.
- *Lobbying* expenses reflect direct lobbying and grassroots lobbying. Direct lobbying expenses reflect staff time and related expenses pertaining to directly influencing state and federal legislation through meetings or communications with legislators and other public officials. Direct lobbying expenses are calculated based on the federal definition of "direct lobbying." Grassroots lobbying expenses reflect staff time and related expenses pertaining to urging housing advocates and others to take specific actions in an effort to influence state and federal legislation. Grassroots lobbying expenses are calculated based on the federal definition of "grassroots lobbying."

Advertising Costs. HHCK expenses advertising costs as incurred.

Income Taxes. HHCK is a nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Management has determined there is no "unrelated business income" for the years ended December 31, 2016 and 2015. Current accounting standards require HHCK to disclose the amount of potential benefit or obligation to be realized as a result of an examination performed by a taxing authority. For the years ended December 31, 2016 and 2015, management has determined that the organization does not have any tax positions that result in any uncertainties regarding the possible impact on the organization's financial statements. HHCK is no

HOMELESS AND HOUSING COALITION OF KENTUCKY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

longer subject to examination by taxing authorities for years before 2012.

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

Date of Management's Review. Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. Subsequent events which provide evidence about conditions that existed after the statement of financial position date, require disclosure in the accompanying notes. Management evaluated the activity of Homeless and Housing Coalition of Kentucky, Inc. through July 5, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

2. Deferred Revenue

Deferred revenue at December 31, 2016 and 2015 includes AmeriCorps site match revenue which has not been earned of \$154,006 and \$199,371, respectively. AmeriCorps site match revenue is for services provided on a 12-month basis that begins on September 1 and ends on August 31. In addition, deferred revenue at December 31, 2016 includes VISTA site match revenue which has not been earned of \$30,700. VISTA site match revenue is for services provided on a 12-month basis that begins on May 1 and ends on April 30.

3. Notes Payable

During the years ended December 31, 2016 and 2015, HHCK obtained Housing Assistance Fund loans from Kentucky Housing Corporation (KHC) in order to fund tenant rental payments while grant agreements under the Continuum of Care Project were being finalized. These loans, totaling \$83,138 and \$46,460, in 2016 and 2015, respectively, were funded by KHC at 0% interest provided the outstanding principal was repaid by the due date, which was expected to be the date the grant agreements were fully executed. HHCK made timely repayments to KHC totaling \$83,138 and \$46,460 during the years ended December 31, 2016 and 2015, respectively.

4. Retirement Plan

In the fall of 2009, HHCK adopted a Simple Individual Retirement Account (IRA) Plan. All full-time employees may contribute to the plan from the first month of employment. After 12 months of employment, HHCK contributes a \$.50 match limited to 3% of employee's total salary (as authorized annually by the Board of Directors) in matching funds. Contributions of \$3,195 and \$820 were made to the plan during the years ended December 31, 2016 and 2015, respectively.

5. Board Designated Net Assets

Net assets of \$94,878 and \$110,449 have been designated by the Board of Directors for the AmeriCorps program at December 31, 2016 and 2015, respectively.

HOMELESS AND HOUSING COALITION OF KENTUCKY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

6. Operating Lease

HHCK entered into a 12-month lease agreement for office space in October 2012. This lease has been renewed several times and specifies the following annual rates payable in equal monthly installments: \$15,600 for October 2013 through September 2015 and \$16,800 for October 2015 through November 2017. Rent payments of \$16,800 and \$15,900 were made during the years ended December 31, 2016 and 2015, respectively. Total minimum future rental payments under the operating lease for 2017 will be \$15,400.

7. Concentrations of Revenue and Credit Risk

AmeriCorps program revenues provided 48% and 55% of HHCK's total support and revenue for the years ended December 31, 2016 and 2015, respectively. Housing program revenues provided 44% and 41% of HHCK's total support and revenue for the years ended December 31, 2016 and 2015, respectively.

Financial instruments which potentially subject HHCK to concentrations of credit risk consist principally of cash held in a limited number of financial institutions. HHCK places its cash with a high credit quality financial institution that is FDIC insured.

8. Financial Statement Reclassifications

Certain amounts presented in the 2015 financial statements have been reclassified to conform to the current year's presentation. These reclassifications do not affect the change in net assets or net assets of HHCK.

SUPPLEMENTARY INFORMATION

HOMELESS AND HOUSING COALITION OF KENTUCKY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Program Services										Management and General Services	Total			
	AmeriCorps	VISTA	Housing Now	Samaritan	TSSI	HOME - TBRA	KICH	Lobbying							
Member living allowance	\$ 515,720	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salaries	140,538	11,256	27,304	44,903	7,093	215	246	6,543						38,365	276,463
Payroll taxes	51,986	898	2,176	4,042	518	16	19	542						3,605	63,802
Employee/member insurance	29,724		1,771	5,120	2,522									1,287	40,424
Workers' compensation	23,706		215	272										306	24,499
Rental assistance		3,400													3,400
Retirement	1,308		164	722	105									896	3,195
Total salaries and related expenses	762,982	15,554	31,630	55,059	10,238	231	265	7,085						44,459	927,503
Property leasing	34,979	11,682	178,371	350,185	34,404									4,895	562,960
Travel	17,061		491	1,450	478									6,929	53,975
Bad debt			4,939	21,433	51										50,413
Tenant utilities			11,878	24,399	2,444										38,721
Member cost - share		29,682													29,682
Supplies	11,861	2,210	883	3,258	1,168	24	286							1,392	21,082
Rent	5,790	1,000	2,313	4,850	1,810									1,037	16,800
Site match expense		6,654	2,210	10,073	75									2,679	14,962
Training	5,640		417	711										651	14,148
Professional fees	4,500		2,080	3,100										1,320	11,000
Leasing and utility deposits			3,742	4,741											8,483
Telephone	2,538	362	297	2,103	406									2,670	8,376
Dues/meetings	1,798													5,312	7,110
Miscellaneous	2,362	264	188	679	188			484						2,401	6,566
Inspections			1,293	3,545	127									300	4,965
Insurance	1,431		318	1,942	895									429	4,886
Copier/printing	1,929		372	1,091	522										4,343
Consultants	3,225														3,225
Postage	816	102	267	553	74									1,405	3,217
Fees	684		69	331										261	1,345
Case management			15	85											100
Total expenses	\$ 857,596	\$ 67,510	\$ 241,773	\$ 489,588	\$ 52,880	\$ 255	\$ 551	\$ 7,569						\$ 76,140	\$ 1,793,862

HOMELESS AND HOUSING COALITION OF KENTUCKY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	Program Services					Total
	AmeriCorps	Housing Now	Samaritan	Lobbying	Management and General Services	
Member living allowance	\$ 513,987	\$	\$	\$	\$	\$ 513,987
Salaries	126,387	21,606	40,981	897	55,141	245,012
Payroll taxes	50,555	1,898	3,635		5,158	61,246
Employee/member insurance	42,727	1,668	4,379		4,709	53,483
Workers' compensation	30,048					30,048
Retirement	309	24	59		428	820
Total salaries and related expenses	764,013	25,196	49,054	897	65,436	904,596
Property leasing		167,584	340,421			508,005
Bad debt	17,827	10,523	29,181			57,531
Travel	26,640	2,671	4,514		4,254	38,079
Tenant utilities		11,221	17,869			29,090
Site match expense		9,974	13,931			23,905
Supplies	12,983	2,229	4,388		1,549	21,149
Rent	4,982	1,740	4,951		4,227	15,900
Professional fees	5,700	1,622	3,678			11,000
Telephone	2,367	514	1,711		3,421	8,013
Leasing and utility deposits		2,199	5,311			7,510
Insurance	3,238	623	952		641	5,454
Training	1,801	653	2,023		525	5,002
Miscellaneous	672	199	985	862	2,132	4,850
Consultants	4,833					4,833
Case management	1,115	630			4,013	4,643
Dues/meetings	693	298	696		3,471	4,586
Postage	1,033	120	329		368	2,055
Copier/printing		508	1,201		436	1,918
Inspections		75				1,709
Fees	109				206	465
Depreciation					139	139
Contracts						
Total expenses	\$ 848,006	\$ 238,579	\$ 481,270	\$ 1,759	\$ 90,818	\$ 1,660,432

FEDERAL AWARDS DISCLOSURES

HOMELESS AND HOUSING COALITION OF KENTUCKY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Grant/Program Title	Federal CFDA Number	Contract Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through Kentucky Housing Corporation:			
Continuum of Care Program - Samaritan - 2014	14.267	KY0093L4I001406	\$ 193,301
Continuum of Care Program - Samaritan - 2015	14.267	KY0093L4I001507	188,401
Continuum of Care Program - Housing Now - 2014	14.267	KY0106L4I001403	99,610
Continuum of Care Program - Housing Now - 2015	14.267	KY0106L4I001504	97,818
Continuum of Care Program - TSSI - 2014	14.267	KY0115L4I001404	32,937
CFDA Total			<u>612,067</u>
Home Investments Partnerships Program - TBRA	14.239	TB16-0058-01	256
Total U.S. Department of Housing and Urban Development			<u>612,323</u>
Corporation for National and Community Service			
Passed through Kentucky Cabinet for Health and Family Services:			
AmeriCorps - 2015/2016	94.006	PON273014000032923	354,033
AmeriCorps - 2016/2017	94.006	PON273017000000141	173,305
CFDA Total			<u>527,338</u>
AmeriCorps VISTA - 2016/2017	94.013	16VSSKY001	11,159
Total Corporation for National and Community Service			<u>538,497</u>
U.S. Department of Health and Human Services			
Passed through Kentucky Housing Corporation:			
Cooperative Agreement for the Benefit of Homeless Individuals - KICH	93.243	PON272916000016991	551
Total Federal Expenditures			<u>\$ 1,151,371</u>

HOMELESS AND HOUSING COALITION OF KENTUCKY, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of Homeless and Housing Coalition of Kentucky, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Homeless and Housing Coalition of Kentucky, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Homeless and Housing Coalition of Kentucky, Inc.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Homeless and Housing Coalition of Kentucky, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

MILLER, MAYER, SULLIVAN & STEVENS LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S 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
Homeless and Housing Coalition of Kentucky, 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 Homeless and Housing Coalition of Kentucky, Inc. (a Kentucky non-profit corporation), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 5, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Homeless and Housing Coalition of Kentucky, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Homeless and Housing Coalition of Kentucky, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Homeless and Housing Coalition of Kentucky, Inc.'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 Homeless and Housing Coalition of Kentucky, Inc.'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 internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Homeless and Housing Coalition of Kentucky, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to the Finding

Homeless and Housing Coalition of Kentucky, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Homeless and Housing Coalition of Kentucky, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements; and, accordingly, we express no opinion on it.

Purpose of this Report

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

Miller, Mayer, Sullivan, & Stevens, LLP

Miller, Mayer, Sullivan, & Stevens, LLP
July 5, 2017

MILLER, MAYER, SULLIVAN & STEVENS LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR A MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Homeless and Housing Coalition of Kentucky, Inc.

Report on Compliance for a Major Federal Program

We have audited Homeless and Housing Coalition of Kentucky, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Homeless and Housing Coalition of Kentucky, Inc.'s major federal program for the year ended December 31, 2016. Homeless and Housing Coalition of Kentucky, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Homeless and Housing Coalition of Kentucky, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Homeless and Housing Coalition of Kentucky, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Homeless and Housing Coalition of Kentucky, Inc.'s compliance.

Opinion on the Major Federal Program

In our opinion, Homeless and Housing Coalition of Kentucky, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Homeless and Housing Coalition of Kentucky, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Homeless and Housing Coalition of Kentucky, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in

the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Homeless and Housing Coalition of Kentucky, 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, non-compliance with a type of compliance requirement of a federal 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 non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Miller, Mayer, Sullivan, & Stevens, LLP

Lexington, Kentucky
July 5, 2017

HOMELESS AND HOUSING COALITION OF KENTUCKY, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
As of December 31, 2016

There were no findings in the December 31, 2015 audit.

HOMELESS AND HOUSING COALITION OF KENTUCKY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
As of December 31, 2016

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Homeless and Housing Coalition of Kentucky, Inc. were prepared in accordance with GAAP.
2. A significant deficiency was identified during the audit of the financial statements.
3. No instances of non-compliance material to the financial statements of Homeless and Housing Coalition of Kentucky, Inc. were disclosed during the audit.
4. No material weaknesses or significant deficiencies were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award program for Homeless and Housing Coalition of Kentucky, Inc. expresses an unmodified opinion.
6. No audit findings are required to be reported in accordance with 2 CFR Section 200.516(a).
7. Homeless and Housing Coalition of Kentucky, Inc. operated one major program during the year ended December 31, 2016:

Continuum of Care Program	CFDA 14.267
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8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Homeless and Housing Coalition of Kentucky, Inc. was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding 2016-001 **The TSSI grant was not billed for August and September 2016 rent totaling \$5,734, and adjustments of approximately \$8,000 could have been billed to the Samaritan 2014 grant.**

Criteria. Grant reimbursement requests should be submitted timely for all allowable program costs during the grant's availability period. The general ledger and rent reports should agree to the grant reimbursement requests.

Cause. Unknown.

Effect. Available grant funds were not drawn for allowable grant program expenditures.

Recommendation. We recommend the following actions to strengthen internal controls:

1. Management should consider implementing a property management software that would allow for more accurate reporting and tenant tracking, including establishing new processes for identifying adjustments after the monthly grant billings. Ideally, reports from the software would incorporate the original grant billing and any adjustments to allow for easier reconciliation with grant billings.
2. We suggest that grant reimbursement requests be prepared at the same time each month for all housing grants.

HOMELESS AND HOUSING COALITION OF KENTUCKY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
As of December 31, 2016

3. Prior to the close of each grant's period, management should verify that requests have been submitted for all periods and all costs allowable under the grant's terms, paying close attention to requests crossing the calendar year. We recommend creating a spreadsheet that lists the grant reimbursement request draw numbers and amounts by month compared to the related month's rent and adjustments report. The draws should be reconciled to the KHC web draw system to make sure that all draws submitted were paid by KHC and any differences should be timely researched and documented.
4. We suggest that total monthly grant requests should be reconciled with grant income, occupancy charges and property leasing expense in the general ledger. This reconciliation should be performed by someone other than the Finance and Contracts manager to allow for segregation of duties.

Management Response. In response to the financial statements audit finding that the TSSI grant was not billed for August and September 2016 rent, and adjustments could have been billed to the Samaritan grant, we offer the following:

1. Management is researching options for tenant management software to streamline rent administration and minimize potential for error;
2. With the implementation of cloud-based time and activity tracking software in March 2017, management has begun billing grants on a timely and consistent basis;
3. With grants that closed on June 30, 2017, management has begun the process of grant reconciliations to ensure that all draws submitted were paid in accordance with our records;
4. Management has designated the Executive Director to reconcile grant draws on a quarterly basis with grant reimbursements, occupancy charges, and property leasing expense in the general ledger.

The TSSI oversight was due in part to the anticipated merging of that grant with another one, which needs to be performed by the funding agency. We continually strive to improve our system of revenue collection and appreciate the auditors' suggestions for improvement.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

MILLER, MAYER, SULLIVAN, & STEVENS, LLP
CERTIFIED PUBLIC ACCOUNTANTS

July 5, 2017

To the Board of Directors
Homeless and Housing Coalition of Kentucky, Inc.

We have audited the financial statements of Homeless and Housing Coalition of Kentucky, Inc. for the year ended December 31, 2016, and have issued our report thereon dated July 5, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 13, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Homeless and Housing Coalition of Kentucky, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2016. We noted no transactions entered into by Homeless and Housing Coalition of Kentucky, Inc. during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of accounts receivable, other which is based on amounts due from member site matches and tenants for rent. We evaluated the key factors and assumptions used to develop the accounts receivable, other estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of accounts receivable, grants which is based on grant expenditures. We evaluated the key factors and assumptions used to develop the accounts receivable, grants estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allowance for doubtful accounts is based on accounts receivable balances older than 90 days that are deemed uncollectible. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of deferred revenue which is based on site match paid by AmeriCorps member sites for the period January - August 2017 and by VISTA member sites for the period January - April 2017. We evaluated the key factors and assumptions used to develop the deferred revenue estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements are:

- The disclosure of board designated net assets in Note 5 to the financial statements.
- The disclosure of concentrations of revenue in Note 7 related to AmeriCorps and housing programs revenues.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management:

- Bad debt expense was increased by \$24,989 for tenant rent receivable balances older than 90 days and \$16,411 for AmeriCorps site match funds deemed uncollectible.
- Grants revenue was decreased by \$43,197 for January 2017 housing grant reimbursements recorded in December 2016.
- Board designated net assets was reduced by \$15,571, which is comprised of the following:
 - a. Increase of \$21,531 for 2015-2016 AmeriCorps program match funds collected from member sites in excess of program expenses.
 - b. Decrease of \$22,809 for 2016 AmeriCorps program expenses in excess of the AmeriCorps grant budget.
 - c. Decrease of \$14,293 for uncollectible site match funds from 2014-2015 and 2015-2016 program years.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 5, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Homeless and Housing Coalition of Kentucky, Inc.'s financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Homeless and Housing Coalition of Kentucky, Inc.'s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We became aware of deficiencies in internal control that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated July 5, 2017, on the financial statements of Homeless and Housing Coalition of Kentucky, Inc. Our comments are summarized as follows:

1. Bad Debt Policy

During the 2015 audit, we communicated that management should adopt a policy regarding writeoff of tenant accounts receivable. Although management began to work on this policy during 2016, it was not finalized and fully implemented before year-end. We suggest that a policy regarding bad debt writeoff for delinquent tenant occupancy charges and site match be finalized as soon as possible and documentation approving each write off shown in the general ledger be maintained.

2. Employee Crime Insurance Coverage

Currently employee crime insurance coverage is \$5,000. Average monthly deposits to the program checking account are \$150,000. We recommend you consult your insurance agent to increase this coverage.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and other suggestions with various Homeless and Housing Coalition of Kentucky, Inc. personnel, and we will be pleased to discuss these comments in further detail at your convenience.

This information is intended solely for the use of the Board of Directors and management of Homeless and Housing Coalition of Kentucky, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Miller, Mayer, Sullivan, & Stevens, LLP

Miller, Mayer, Sullivan & Stevens, LLP
Lexington, Kentucky

