BARTLETT HOUSE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2015

Prepared By:
Hilarion V. Cann, CPA
159 East Main Street
Clarksburg, WV 26301
(304) 623-5657

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HILARION V. CANN, CPA

200 South 2nd Street
Clarksburg, WV 26301

Phone (304) 623-5657
Fax (304) 623-5657

E-Mail HVCCPA@aol.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bartlett House, Inc.
Morgantown, West Virginia

Report on the Financial Statements

I have audited the accompanying financial statements of Bartlett House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bartlett House, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the financial statements of Bartlett House, Inc. as a whole. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Requires by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 1, 2016, on my consideration of Bartlett House, Inc.'s internal control over financial reporting and my 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 my 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 Stendards* in considering Bartlett House, Inc.'s internal control over financial reporting and compliance.

Hilarion V. Cann

Hilarion V. Cann, CPA
Clarksburg, West Virginia
March 1, 2016

BARTLETT HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS		
CURRENT ASSETS		
Cash	$	193,399
Investments (Note 2)		7,451
Rent Receivable		119
Grant Receivable		100,317
Pledges Receivable, net (Note 12)		58,881
Administrative Fees Receivable		144,783
Prepaid Expenses		10,687
Total Current Assets		515,637
PROPERTY AND EQUIPMENT		
Land		412,070
Building		5,748,999
Furniture and Fixtures		434,888
Total Property and Equipment		6,595,957
Less Accumulated Depreciation		882,983
		5,712,974
OTHER ASSETS		
Loan Origination Fess		18,500
Less Accumulated Amortization		2,312
		16,188
TOTAL ASSETS	$	6,244,799
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$	369,280
Accrued Payroll and Payroll Taxes Payable		10,267
Security Deposits and Prepaid Rent		4,301
Line of Credit (Note 5)		218,652
Current Portion of Capital Lease		21,094
Current Portion of Long-Term Debt		1,789
Total Current Liabilities		625,383
LONG-TERM DEBT		
Long-term Capital Lease (Note 5)		819,019
Long-term Debt (Note 7)		116,535
Refundable Advance (Note 6)		3,632,022
Total Long-term Debt		4,567,576
Total Liabilities		5,192,959
NET ASSETS		
Unrestricted		1,034,277
Temporarily Restricted		17,563
		1,051,840
TOTAL LIABILITIES AND NET ASSETS	$	6,244,799

The Notes to Financial Statements are an integral part of these statements.

BARTLETT HOUSE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

PUBLIC SUPPORT AND REVENUES		
WV Department of Health and Human Resources	$	166,649
WV Office of Economic Opportunity		31,817
Community Development Block Grant		18,295
Children's Mental Health Block Grant		28,117
Emergency Food and Shelter Program		6,040
Supportive Housing Program		340,032
Other Grants		49,000
United Way of Monongalia County		90,000
Program Service Revenue		76,534
Donations		45,026
Other Income		3,221
Fundraising		16,725
Interest Income		668
Total Support and Revenue		872,124
Net Assets Released from donor restrictions		7,259
		879,383
EXPENSES		
Program Expense		642,614
Management and General		226,958
Total Expenses		869,572
Realized Gain (Loss) on Disposal of Equipment		(1,312)
Unrealized Gain (Loss) on Investments		43
		(1,269)
(Decrease) Increase in unrestricted net assets		8,542
TEMPORARILY RESTRICTED NET ASSETS		
Pledges, Contributions and Grants		7,060
Allowance for Doubtful Pledges		1,399
Net Assets Released from donor restrictions		(7,259)
Increase (decrease) in temporarily restricted net assets		1,200
Total (Decrease) Increase in net assets		9,742
Net Assets, Beginning		1,042,098
Net Assets, Ending	$	1,051,840

The Notes to Financial Statements are an integral part of these statements.

BARTLETT HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Shelter and Counseling Services	Management and General	Total (Memo Only)
Salaries and Wages	$ 232,532	$ 114,116	$ 346,648
Payroll Taxes and Employee Benefits	36,133	23,885	60,018
Telephone and Utilities	66,692	7,410	74,102
Interest Expense	46,528	5,170	51,698
Insurance	0	11,504	11,504
Maintenance	41,091	4,566	45,657
Janitorial	12,493	1,388	13,881
Travel and Training	2,137	238	2,375
Client Expenses	27,716	0	27,716
Fundraising	0	7,563	7,563
Office Expenses	16,979	1,886	18,865
Professional Fees	0	38,670	38,670
Other Expenses	0	694	694
Amortization Expense	1,156	0	1,156
Bad Debts	0	0	0
Total Expenses before Depreciation	483,457	217,090	700,547
Depreciation Expense	159,157	9,868	169,025
Total Expenses	$ 642,614	$ 226,958	$ 869,572

BARTLETT HOUSE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

OPERATING ACTIVITIES		
Change in Net Assets	$	9,742
Adjustments to Reconcile Change in Net Assets to net cash provided by Operating Activities		
Reflect investments at fair value		(708)
Depreciation		169,025
Amortization		1,156
(Gain) Loss on Sale of assets		1,312
(Increase) Decrease in:		
Rent Receivable		(119)
Grant Receivable		(3,844)
Pledges Receivable		13,084
Administrative Fees Receivable		(144,783)
Prepaid Expenses		(1,322)
Increase (Decrease) in:		
Accounts Payable		347,638
Accrued Payroll and Payroll Taxes Payable		(304)
Security Deposits		(2,437)
Net Cash Provided by Operating Activities		388,440
INVESTING ACTIVITIES		
Purchase of Furniture and Fixtures		(1,828,956)
Purchase of Investments		491
Net Cash Used by Investing Activities		(1,828,465)
FINANCING ACTIVITIES		
Proceeds from Line of Credit		218,652
Payments on Line of Credit		(223,896)
Proceeds from Refundable Advancve		1,432,022
Payments on Capital Lease		(18,713)
Proceeds from Long-Term Debt		118,324
Payments on Long-Term Debt		0
Net Cash Provided by Financing Activities		1,526,389
NET CASH INCREASE IN CASH		86,364
CASH AT BEGINNING OF YEAR		107,035
CASH AT END OF YEAR	$	193,399
SUPPLEMENTAL DISCLOSURE		
Interest Paid	$	51,698

The Notes to Financial Statements are an integral part of these statements.

Note 1. Description of Entity and Significant Accounting Policies

Description of Entity

Bartlett House, Inc., a nonprofit organization, was founded for the purpose of providing housing, food and counseling to the homeless and needy individuals of Monongalia County, West Virginia. The Organization receives its grants and contract support primarily from the West Virginia Department of Health and Human Resources and other State Agencies (see Note 10 – Summary of Grants and Contracts). In addition to this, support is received from the United Way of Monongalia and Preston Counties, Governor's Office of Economic Opportunity, local grants and contributions from the general public.

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires (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 activities as net assets released from restrictions.

Contributed Services

The Organization receives contributed services from a variety of unpaid volunteers assisting at the shelter, in education programs, maintenance projects and legal services. No amounts have been reflected in the financial statements for donated services since they do not meet the criteria for recognition as contributed services. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased.

Interest Expense

All Interest expense incurred has been expensed.

Functional Allocation of expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Fundraising expenses totaling $7,563 are included in general and administrative expenses.

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.

Note 1. Description of Entity and Significant Accounting Policies (continued)

Pledges Receivable

Pledges Receivable are recognized when the donor makes a pledge to give to the Organization that is, in substance, restricted to the Organization Capital Campaign. Pledges that are restricted by the donor are reported as increases to unrestricted net assets if the restrictions expire or are met in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted assets are reclassified to unrestricted net assets.

Grants and Contracts

Support received under grants and contracts with the West Virginia Department of Health and Human Resources, Governor's Office of Economic Opportunity, United Way of Monongalia and Preston Counties, and private foundations are recorded as unrestricted net assets because the related costs to such grants and contracts are incurred before reimbursement is received. Grants and contracts receivable represent amounts due for expenditures incurred prior to year end. The amount receivable as of June 30, 2015 was $100,317. Management feels this amount is fully collectible. The carrying amount approximates fair value.

Income Taxes

Bartlett House, Inc. is exempt from federal income taxes under 501(c) (3) of the Internal Revenue Code and did not conduct any unrelated business activities. Therefore, Bartlett House has made no provision for federal income taxes in the accompanying financial statements. In addition, Bartlett House, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization recognizes the effect of income tax positions only if those positions are more than likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition.

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over $500. Lesser amounts are expensed. Purchased property and equipment is capitalized at original cost. Donations of property and equipment are recorded as contributions 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. Property and equipment are depreciated using the straight-line method from five to thirty years.

Note 1. Description of Entity and Significant Accounting Policies (continued)

Advertising

The Company expenses advertising costs as they are incurred. Advertising expenses for the year ended June 30, 2015 was $873. These costs are included in Office Expense on the statement of activities.

Note 2. Investments

Investments as of June 30, 2015 are stated at fair value and consist primarily of corporate bonds and reserve funds.

	Carrying Amount	Fair Value
Mutual Funds	$ 7,347	$ 7,347
Cash Reserve Funds	104	104
	$ 7,451	$ 7,451

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2014.

	Unrestricted
Interest and Dividends	$ 287
Unrealized (Loss) Gain	43
	$ 330

Note 3. Property and Equipment

Fixed assets acquired by Bartlett House, Inc. are considered to be owned by Bartlett House, Inc. However, State funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State has a reversionary interest in those assets purchased with its funds which have a cost of $500 or more and an estimated useful life of at least two years.

Note 4. Compensated Absences

Accrued compensated absences are not included in the financial statements because the amount cannot be reasonably estimated.

Note 5. Capital Lease

During the year ended June 30, 2012, the Monongalia County Building Commission issued lease revenue bonds (Bonds) in an aggregate purchase price of $896,000. The purpose of these Bonds were to assist with the financing the costs of acquisition, construction, and equipping of the Organization's West Run Project.

Subsequent to issuance of these Bonds, the Organization entered into two (2) lease agreements with the Monongalia County Building Commission ("Initial lease" and "Subsequent lease"). In accordance with the Initial lease, the Organization leased certain land with improvements (West Run Project) to the Monongalia County Building Commission for $1.00 and for the consideration provided by the issuance of the Bonds.

Note 5. Capital Lease (continued)

The Initial lease terminates on October 5, 2039, or at such time as the Bonds are paid in full. The Subsequent lease between the Monongalia County Building Commission (Lessor) and the Organization (Lessee) provides for base lease payments equal to the monthly principal and interest payments required by the Bonds, for a term of 30 years, or until the Bonds are paid in full. The bonds were refinanced on September 5, 2013 to reduce the effective interest rate from 5% to 3.45%. All other terms and conditions remained the same as the original issue.

Future minimum lease payments at June 30, 2015 are as follows for years ending:

Year ending June 30,	2016	$ 49,746
	2017	49,746
	2018	49,746
	2019	49,746
	2020	49,746
	Thereafter	1,013,028
Minimum lease payments		1,261,758
Less amount representing interest		(421,645)
Present value of net minimum lease payments		840,113
Less current portion of Capital Lease payments		(21,094)
Long-term portion of Capital Lease payments		$ 819,019

At July 1, 2014 Bartlett House, Inc. had a $250,000 unsecured line of credit with a bank to be drawn upon as needed through June 30, 2015, with an interest rate of 5%. As of June 30, 2015, the balance outstanding was $218,652.

Based on the borrowing rates currently available to the Organization for loans with similar terms and average maturities, the carrying amount of long-term debt approximates fair value.

Note 6. Refundable Advance

Refundable advance consisted of the following at June 30, 2015:

WV Housing Development Fund	$ 2,200,000
WV Housing Development Fund	1,432,022
Total Refundable advances	$ 3,632,022

The Organization has purchased and is in the process of rehabilitating a facility (West Run Project) to provide transitional supportive housing to assist individuals and families to transition from temporary housing to permanent housing. The West Run Project will provide 20 units of permanent housing, 20 units of transitional housing and administrative offices.

To purchase and rehabilitate the West Run Project, the Organization entered into a loan agreement for funds, not to exceed $2,200,000, under the HOMErent Program ("Loan"). The terms of the Loan are such that payments on the Loan are deferred for a 20 year affordability period and not subject to repayment if the Organization operates and maintains the West Run Project to provide affordable rental housing to low-income individuals and families. The Loan is secured by a Credit Line Deed of Trust granting a second lien on the real property and improvements associated with the West Run Project.

Note 6. Refundable Advance (continued)

Conditional Promises

In July of 2014 the Organization entered into a second loan agreement for funds not to exceed $1,457,839 under the HOMErent Program (Loan). The terms of the Loan are such that payments on the Loan are deferred for years and is evidenced by a Promissory Note and not be subject to repayment unless the Organization fails to provide affordable rental housing to low-income families. The Loan is secured by a Credit Line Deed of Trust granting the fund a valid and enforceable third priority lein on all the Real Property and all improvements and fixtures thereon at the West Run property.

The above noted transfers are considered restricted conditional promises to give in accordance with the requirements of ASC 958. ASC 958 distinguishes between donor-imposed restrictions (temporarily restricted or permanently restricted) and donor-imposed conditions. Restrictions limit use of a donated asset; conditions create barriers that must be overcome before pledges are fulfilled or assets are transferred. A restricted conditional promise to give is defined as a promise to give in which the donor has specified the use of the donated assets and retained a right in those assets dependent upon the recipient accomplishing a specific purpose in the future. Under ASC 958, assets received subject to conditions are accounted for as refundable advances until the conditions are met. The Loan funds received to acquire and rehabilitate the West Run Project have been recorded as refundable advances, which, if the defined supportive housing conditions are met, will be recognized as revenue, and an increase in unrestricted net assets, at the loan maturity dates.

Note 7. Long-Term Debt

Long-term debt at June 30, 2015 consisted of the following:

Clear Mountain Bank note payable, 5% interest, monthly installments of $1,638, including interest, through August 2045, secured by deed of trust	$ 118,324
	118,324
Less current portion	1,789
	$ 116,535

Maturities of long-term debt at June 30, 2015 were as follows:

Year ending June 30,	2016	$ 1,789
	2017	4,691
	2018	4,931
	2019	5,184
	2020	5,449
	Thereafter	96,280
		$ 118,324

Note 8. Employee Benefit Plan

Bartlett House, Inc. has adopted a 430(b) Plan for the benefit of eligible employees. Bartlett House, Inc. matches up to 100% of the first 3% of an employees' contribution. The plan expenses incurred by the Organization during the year ending June 30, 2015 were $4,619 and are included in payroll taxes and employee benefits on the state of functional expenses.

Note 9. Fair Value Measurement

Fair Values of assets measured on a recurring basis at June 30, 2015 are as follows:

Fair Value Measurements at Reporting Date Using

June 30, 2015	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable (Level 3)
Long-term investments - Mutual Funds	$ 7,541	$ 7,541	$ -0-
Total	$ 7,541	$ 7,541	$ -0-

Note 10. Summary of Grants and Contracts

Bartlett House, Inc. was primarily funded through the following grants and contracts for the period July 1, 2014 to June 30, 2015:

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA #	Contract Period	Grant/ Grant/ Contract	Total Recognized Expenditures
Supportive Housing Program	14.235 14.267	7/01/14 - 6/30/15	WV0060B3E081000 WV0040L3E081301 WV0040L3E081402	$ 340,032
W. V. Department of Health and Human Resources		7/01/14 - 6/30/15	G 110141	$ 166,649
YWCA of Charleston		7/01/14 - 6/30/15	G 120137	$ 28,117
WV Office of Economic Opportunity	14.231	7/01/14 - 12/31/15	ESG11-1129	$ 31,817
City of Morgantown	14.218	7/01/14 - 6/30/15		$ 18,295
Emergency Food and Shelter Program	97.024	7/01/14 - 6/30/15		$ 6,040
Total Grants and Contracts				$ 590,950

Note 11. Restrictions on Net Assets

Capital Campaign

Temporary restrictions on net assets at June 30, 2015 are related to funds raised through the Capital Campaign, a drive to raise funds to purchase, rehabilitate and furnish temporary and permanent housing for the chronic homeless.

The Organization completed Phase 1 of the project in October 2010. It purchased, rehabilitated and furnished 16 individual units and 4 multi-units on the third and fourth floors of the West Run facility. To fund this project support of $110,400 was raised from a capital campaign. These funds have been collected and spent on rehabilitation and furnishings. Additional funding of a $2,200,000 interest free loan from the West Virginia Housing Development Fund, and a lease with the Monongalia County Commission, which supported the issuance of a $896,000, borrowing on the Organizations line of credit in the amount of $218,652 and utilizing the reserves of the Organization were all utilized to complete Phase 1.

Phase II of the project began in the winter of 2013 with a commitment from the West Virginia Housing Development fund for an additional interest free loan in an amount not to exceed $1,457,839, and additional grants from the U.S. Department of Housing and Urban Development in the amount of $423,400 and $109,918 for rehabilitation and operating costs. Cash and pledges receivable are restricted to payment of the cost of acquiring, rehabilitating, and operating the facility and payment on any debt incurred to complete the project. Those restrictions are considered to expire when payments are made. Interest on the temporary investment of such support is unrestricted.

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Development Coordinator	$ 16,363
Employee of Month Awards	1,200
	17,563

Net assets were released from donor restrictions by incurring expenses satisfying the purpose by donors as follows:

Purpose restriction accomplished:

Capital Campaign Related Expenses for West Run	$ 1,399
Restricted contributions for Children of the shelter	1,278
Restricted contributions for payment of debt	$ 4,582
Total restrictions released	$ 7,259

Note 12. Pledges Receivable

Pledges Receivable consists of the following:

Restricted to payment of Capital Lease and rehabilitation of West Run project	$ 65,423
Gross restricted pledges receivable	65,423
Less: Allowance of doubtful pledges	6,452
Net Restricted Pledges Receivable	$ 58,881

The Organization uses the allowance method to determine uncollectible pledges receivable. An allowance of 10% has been utilized by the Organization. This allowance is based on industry research and management's analysis of specific pledges receivable.

Note 13. Concentration of Risk

The Organization receives a substantial amount of its support from the West Virginia Department of Health and Human Resources under a contract, the Governor's Office of Economic Opportunity and the United Way of Monongalia and Preston Counties from grants. A significant reduction in the level of these supports, if this were to occur, may have a significant impact on the Organization. Support received from the West Virginia Department of Health and Human Resources amounted to $ 166,649, the Governor's Office of Economic Opportunity amounted to $31,817, U.S. Department of Housing and Urban Development amounted to $340,032 and the United Way of Monongalia and Preston Counties amounted to $90,000 for the year ended June 30, 2015.

Note 14. Subsequent Event

The organization has evaluated subsequent events through March 1, 2016, the date which the financial statements were available to be issued. The following event occurred after June 30, 2015.

Phase 2 of the project consists of a complete build-out of the bottom two floors to add an additional 36 beds for Transitional Supportive Housing. This will allow a participant to prepare to transition from emergency shelter to transitional housing. The estimated costs of construction and equipment for Phase 2 are $1,840,656. This would bring the total estimated cost of the project to be $5,246,627. Bartlett House management has been informed that they will receive additional funding for Phase 2 from the Housing and Urban Development Supportive Housing Program in the amount of $423,400. This grant will be utilized to pay for supportive services (staffing) in the amount of $64,547, operational costs of $338,741 and administrative costs of $20,112. Management has applied for and has been given temporary approval of additional funding of $1,822,299 from the West Virginia Housing Development Fund (WVHDF) for Phase 2. This additional funding will be limited to 80% of the total appraised value of the property, therefore this will limit the total available for drawdown on the additional loan from WDHF to $1,457,839, leaving a balance of approximately $382,817 of costs to be paid for by other funding. Management has secured this funding and as of June 30, 2015 the project was 90% complete. The Organization started housing the homeless in September of 2015.

REPORT ON INTERNAL CONTROL AND COMPLIANCE

HILARION V. CANN, CPA

200 South 2nd Street
Clarksburg, WV 26301

Phone (304) 623-5657
Fax (304) 623-5657

E-Mail HVCCPA@aol.com

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
Bartlett House, Inc.
Morgantown, West Virginia

I have audited, 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, the financial statements of Bartlett House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 my report thereon dated March 1, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Bartlett House, 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bartlett House, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of the Bartlett House, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies in internal control listed as items 15-01 and 15-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bartlett House, Inc.'s financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Bartlett House, Inc.'s Response to Findings

Bartlett House, Inc.'s response to the finding identified in my audit is described in the accompanying schedule of findings and responses. Bartlett House, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

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

Hilarion V. Cann, CPA
Clarksburg, West Virginia
March 1, 2016

DHHR - Finance

MAR 22 2016

Date Received

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS

HILARION V. CANN, CPA

200 South 2nd Street
Clarksburg, WV 26301

Phone (304) 623-5657
Fax (304) 623-5657

E-Mail HVCCPA@aol.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Bartlett House, Inc.
Morgantown, West Virginia

Report on Compliance for Each Major Federal Program

I have audited Bartlett House Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bartlett House, Inc.'s major federal programs for the year ended June 30, 2015. Bartlett House Inc.'s major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Bartlett House, Inc.'s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 program occurred. An audit includes examining, on a test basis, evidence about Bartlett House, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Bartlett House Inc.'s compliance.

Opinion on Each Major Federal Program

In my opinion, Bartlett House, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 15-01 and 15-02. My opinion on each major federal program is not modified with respect to these matters.

Bartlett House, Inc.'s response to the noncompliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Bartlett House, Inc.'s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control Over Compliance

Management of Bartlett House, 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 my audit of compliance, I considered Bartlett House, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Bartlett House, 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 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 noncompliance 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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hilarion V. Cann, CPA
Clarksburg, West Virginia
March 1, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BARTLETT HOUSE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA #	Contract Period	Grant/ Contract	Recognized Expenditures
Federal Awards				
U.S. Department of Health and Human Resources				
Supportive Housing Program	14.235	7/01/14 - 6/30/17	WV0060B3E081000 WV0040L3E081301 WV0040L3E081402	$ 142,266
Continuum of Care Program	14.267	7/01/14 - 6/30/17	WV0040L3E081301 WV0040L3E081402	$ 197,766
Passed through:				
W. V. Housing Development Fund	14.239	7/01/14 - 10/31/15	M05-SG-54001 & M08-SG-54001	1,287,239
W. V. Office of Economic Opportunity	14.231	7/01/14 - 10/31/15		31,817
City of Morgantown	14.218	7/01/14 - 10/31/15		18,295
Total Federal Expenditures				$ 1,677,383
State Awards				
W.V. Department of Health and Human Resources				
W. V. Department of Health and Human Resources		7/01/14 - 6/30/15	G 150006	$ 166,649
YWCA of Charleston		7/01/14 - 6/30/15	G 120137	28,117
Total State Grants and Contracts				$ 194,766

The notes to Schedule of Federal and State Awards are an integral part of this schedule.

I. Summary of auditor's results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified?	______ Yes	__X__ No
• Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)?	__X__ Yes	______ No
• Noncompliance material financial statements noted?	______ Yes	__X__ No

Federal awards

Internal control over financial reporting:

• Material weakness(es) identified?	______ Yes	__X__ No
• Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)?	______ Yes	__X__ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	______ Yes	__X__ No

Identification of major programs

U.S. Department of Housing and Urban Development
Home Investment Partnerships Program
CFDA # 14.239

Dollar threshold used to distinguish between type A type B programs: $ 300,000

Auditee qualified as low-risk auditee?	______ Yes	__X__ No

The notes to Schedule of Federal and State Awards are an integral part of this schedule.

15-01 Segregation of Duties

Condition: The Organization has a limited number of personnel with responsibility for accounting and financial reposting matters. As a result, there is a lack of segregation of duties over the initiation, authorization, recording, and reporting of transaction and the preparation and review of financial reports by persons sufficiently independent of the transactions.

Criteria: Segregation of duties is a critical piece of the internal control framework. This key internal control element dictates that duties should be aligned so that no one individual controls to many critical aspects of a process or transaction.

Cause: Limited staff decreases the ability to provide for segregation of some accounting processes.

Effect: Increased potential that fraud and abuse could occur.

Recommendation: Responsibility for initiation, authorization, recording, and reporting of transactions should be segregated to the extent possible. Although complete segregation of duties is not feasible given the limited staff available, management has been mindful and resourceful in its efforts to segregate duties and is commended for its efforts. I recommend continued review and assessment in the area of internal control, as this key internal control is vital to ensure errors and irregularities are detected and prevented in a timely manner in the normal course of business. It is incumbent upon the board of directors to remain strong and active; additionally, the board of directors should recognize that its scope of oversight of the internal control system applies to all three areas of control: operations, compliance with laws and regulations, and financial reporting.

Management Response: Management and the board of directors will remain vigilant in their efforts to consider the control environment, assess risks, monitor activities, and improve policies and procedures when deficiencies are identified.

15-02 Drafting Financial Statements

Condition: The Organization does not have adequate staff to prepare the financial statements in accordance with generally accepted accounting principles (GAAP).

Criteria: Reliable financial reporting requires that financial statements conform with GAAP. Preparing financial statements is the culminating step of financial reporting.

Cause: Limited staff and time decrease the ability to prepare financial statements in conformity with GAAP.

Effect: Increase potential that fraud and abuse could occur.

Recommendation: The Organization engage the services of a certified public accountant or other professional with the expertise and ability to prepare financial statements in conformity with GAAP, with the understanding that preparing the financial statements in conformity with GAAP includes not only the broad guidelines of general application, but also detailed practices and procedures. GAAP includes pronouncements of authoritative bodies designated by the AICPA to establish accounting principles.

Management Response: The Organization has hired an independent outside accountant that, once the organization's audit is completed, provides assistance with the preparation of the annual audited financial statements.

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state grant activity of Bartlett House, Inc. under programs of the federal and state governments for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and West Virginia Title 148, Legislative Rule, Series 18, *Accountability Requirements for State Funds and Grants.* Because the Schedule presents only a selected portion of the operations of the Bartlett House, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Bartlett House, Inc.

Note 2. Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

MANAGEMENT LETTER

HILARION V. CANN, CPA

200 South 2nd Street
Clarksburg, WV 26301

Phone (304) 623-5657
Fax (304) 623-5657

E-Mail HVCCPA@aol.com

MANAGEMENT LETTER

To the Board of Directors
Bartlett House, Inc.
Morgantown, West Virginia

In planning and performing my audit of the financial statements of Bartlett House, Inc. for the year ended June 30, 2015, I considered the Organization's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. I previously reported on the Organization's internal control in my report dated March 1, 2016. This letter does not affect my report dated March 1, 2016, on the financial statements of Bartlett House, Inc.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with various Organization personnel, and I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows:

Segregation of Duties

After walking through some of the accounting processes the following was discovered: 1) The administrative assistant collects the mail from the mailbox, sorts and delivers it to the different departments, 2) The accountant is given the invoices from the Administrative Assistant (AA), along with any checks or donations received, 3) The accountant prepares summary sheets of the invoices received and the accounts they should be charged to and forwards this to the Executive Director (ED) for approval, 4) the Executive Director approves the invoices and the account allocation and gives back to the accountant. If there are any invoices not to be paid the ED will note that at this time and provide to the accountant who holds onto those invoices until the ED approves for payment later. Any invoice not approved for payment is held in a file with the accountant, all others invoices are entered into QuickBooks and the accounts payable checks are created and printed to be signed. 4) This information is then provided to the ED to have the checks signed by them and one board member, then this paperwork is given back to the bookkeeper to mail out the payments. 5) The bookkeeper also inputs the deposit into QuickBooks and creates the deposit slip and provides the deposit and deposit slip to the AA to take the bank. 6) The deposit information is then provided to the Executive Director after the deposit is made for their approval. After reviewing the following procedures it is noted that there are gaps in the internal control which fail to protect the assets of the organization by having one employee perform multiple incompatible functions. It is suggested that management review the previous procedures and determine what checks and balances can be put in place to reduce or eliminate one person performing incompatible procedures. This will help ensure the protection of the organizations assets.

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the Organization to provide oversight and independent review functions.

Your Community Foundation, Inc.

The Your Community Foundation, Inc. holds funds invested for the Organization. The Foundation provides quarterly reports as to the activity of the Foundation funds invested. This activity currently is either not recorded at all or only partially recorded incorrectly in the financial records of the Organization. It is recommended that each quarter when the reports are received from the Foundation this activity be recorded in the financial records of the Organization. This will provide the Board a more complete and accurate financial status of the Organization.

Cancellation of Voucher Packages

While testing the expenses of the Organization it was noted several vendors were paid from a statement, packing list or an invoice was not available at all. To reduce the risk of duplicate or unauthorized payment for purchases, payments should only be made from original invoices that are routinely canceled with the date they are vouchered for payment. This will add very little time to the payment process and would provide for more accurate support than the current information.

Board of Director's Meeting Minutes

The Board of Director meeting minutes show on several occasions that the Board requested that "all non-board members be excused from the meeting to discuss confidential items." According to Robert's rules, the Board is to request to go into "Executive Session" and then they can discuss confidential items in reference to personnel or other matters of a sensitive nature. On most of these occasions, when the Board requested that non-board members be excused, there was no description of what the confidential matter was or if there was a resolve of the matter. It is not required to detail what the discussion was but in accordance with federal and state law the meetings of a non-profit are open to the public and the Board meeting minutes are legal documents, and the reason for the request is required to be noted. Should the Board desire to go into Executive Session, they should first state the reason why they are requesting the Executive Session, then a motion and a vote to approve going into the Executive Session should be held. Also, the Board should note that voting is not allowed during Executive Session, and not just any item qualifies for Executive Session. Once the discussion is completed, a motion and vote to return to the regular meeting should be held. The resolve of the item should be noted and if any further discussion or votes will be held. These requests showed up in almost every meeting without a description of the item other than to say to discuss a confidential item. To reduce the possibility of any future liability concerning the Board of Director meeting minutes the way the Executive Sessions are entered and exited and documented should be changed to include the appropriate requests.

Currently the BOD meeting minutes provide a detail of cash balances, current asset balances, and total asset balances and total liability and net assets combined balance. This detail does not provide a total for the organizations liabilities separately or the balance of long-term debt. If the minutes are going to reflect the separate totals of balance sheet categories it would be helpful for the BOD and any outside readers to gain a better understanding of the organizations financial status by also disclosing the balance of current liabilities and balance of long-term debt.

Maintenance of Accounting Records

During the fiscal year ended June 30, 2015 the chart of accounts for the organization was modified to include an account titled "Deferred Revenue." This type of account was abandoned, for the most part, by GAAP when it did away with Fund Accounting and switched to Net Asset Accounting. With net asset accounting, the equity of the organization is maintained in three separate categories as explained in the notes to the financial statements. These categories are: Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Recording the net assets of the organization in this manner provides the user of the financial statements the insight as to if any of the assets of the organization are restricted and in what manner if so restricted. It is recommended that the organization discontinue utilizing the deferred revenue account, as to maintain their records in compliance with GAAP.

Requests for Grant Reimbursement

While testing the reimbursement request report for the Organization's grants, it was noted that the organization maintains the support for all of the grant billing in reports created inside of their computerized accounting system (QuickBooks). For a review of the support for the amounts billed for reimbursement, the reviewer is required to filter through all the vendor files allocated to the reimbursement request. There is no central file or copies of these invoices maintained. Grant financial management requires grantees organize their financial systems in a manner such that individual grant activity is separately accounted for and reports, along with supporting documents, are available for monitoring purposes. It is suggested that the organization consider maintaining electronic files for each grant billing utilizing a scanner or some other device to store the backups for each grant billing. Should this data ever be required or requested in the future this will provide quick and easy access to prior billings for grant reimbursement requests.

During the testing of the grant income it was discovered that the SHP grant had been overdrawn on. The grant involved the Housing and Urban Development (HUD) grant utilized for the West Run operating expenses. This grant had two components – one for temporary housing and one for permanent housing. During the fiscal year ended June 30, 2015 it was discovered the temporary portion of this grant was overdrawn. This apparently was caused by multiple reasons such as the Executive Director did the billing, the outside accountant who keeps track of the grant in QuickBooks didn't have the detail of the total of each component, the billings were held up at times and not sent in until months later, among other reasons. If the detailed reports referred to above were implemented and better communication between the outside accountant and the Executive Director (monthly staff meeting including the bookkeeper were held on a regular basis with the review of each grant) should help reduce the possibility of overdrawing grants in the future.

Contributions Received

On occasions the organization receives gift cards, instead of actual cash, as a contribution. These funds are received in varying forms such as a $50 Visa Gift card, a $100 Wal-Mart gift card, etc. These cards are maintained in the petty cash box and are handed out when a purchase is to be made which can utilize these cards. Currently these cards are now being tracked in QuickBooks. It is recommended that a procedure be established so that when this type of contribution is received it is entered into QuickBooks as a contribution and as an asset in a timely manner. This will provide management a reminder that these gift cards are available for use and then as the cards are utilized the balance can be reduced and the expenses recorded. This will help ensure that the records of the organization include all applicable income and expenses.

Payroll

During my testing of the Organizations payroll and its systems, multiple areas for improvement were discovered. The first item noted was that on two occasions the company matching for the 403(b) retirement program was manually calculated and input into an employee's paycheck. This caused the overall company contribution to the employee's account for the 403(b) to exceed the plan's 3% match. QuickBooks has the ability to limit any and all company contributions to employee's 403(b) contributions to 3%. If there were a policy in place that states this should never be overridden manually, that should eliminate this from occurring in the future. In another instance it was discovered that wages that qualified for the 403(b) match were not utilized in calculating the company match. This should not occur if the procedure in the preceding paragraph is implemented

Secondly it was noted that employee withholding for health insurance participation is not started until after the employee is added to the plan. The problem this causes is that should an employee covered under the company insurance plan leave in the middle of a month a second withholding for their share of the health insurance cannot be recouped because there will be no payroll to withhold it from. The company should consider establishing a policy that withholding will begin one month prior to an employee being added to the insurance plan. Should there ever be an instance where the employee leaves employment, the company can eliminate them from the health insurance plan, and then the organization can refund any over withheld premium.

Payroll (continued)

When employees have child support withheld from their paychecks QuickBooks accrues this withholding and has the ability to create the check so this withholding can be remitted to the proper authorities. The withholding portion of this process is being utilized within QuickBooks, but during the year the child support remittance checks were being created manually. This has since been updated to utilize QuickBooks to automatically create the remittance checks for the child support. When doing this manually the amount withheld and accrued for child support is not being reduced and remains in the records of the organization. This process should be followed upon to ensure the accrued expenses are being reduced with the remittances.

Accounts Receivable (Rents)

When a client pays their rent in advance the excess for future rent is not being offset properly in the Organization's accounting system. Although the client's balance decreases, the excess is not offset by the future billing for the rent. The result is that when an accounts receivable report is run amounts will show in several different aging columns (i.e. 30-60, 60-90 and over 90) when in fact there should only be one total. This is solved by opening a customer's account in the receive payment window and then applying the credit to the current rent billing. This will then summarize the balance into one total.

Another item of concern was the amount of time it took to actually deposit rent checks received. According to the Organization's accounting system, it took 17 days to actually make the deposit after the funds were received. Holding onto the funds this long increases the possibility the item can be misplaced or actually lost. It is recommended that a policy of how to handle and deposit rent checks once received be established. This will help decrease the possibility of intentional or unintentional misappropriation of the Organization's funds by ensuring the deposits are made in a timely manner. Management has informed me that the procedure is now that all rents received are deposited weekly.

Petty Cash

It was noted that when the petty cash is reimbursed normally only one account, such as office expense or client expenses, is utilized to record the reimbursement. When reviewing the actual items purchased with the petty cash, it usually involved more than one account in the activity. In one month there was postage, bus fare, prescription medicine, a bus ticket and items from Dollar General, yet the reimbursement was recorded to just postage. The accounting system has the ability to allocate the proper amount to each individual account when the reimbursement check is created in the system. This will help ensure that when the financial statements are presented to the Board they are accurate. Management has informed me that the procedure for recording petty cash has been updated to include the detail.

West Run Utilities

In reviewing the invoices from the electric company it was noted that some of, but not all, the apartment numbers were denoted on the invoices. Since the rent includes utilities, it is recommended that the organization request that the electric company include the apartment number on each separate billing. This can provide several additional benefits for the Organization. It can help improve the billing to HUD for permanent housing eligible expenses for reimbursement. It can also help the organization track over usage by tenants and correct an overbilling in a timely manner. Lastly, since some of the apartments' rent is no longer limited, it can help in determining if the rent is sufficient to cover the cost of the utilities included in the rent of each unit.

Donated Building

During the fiscal year ending June 30, 2013 the Organization received a donated building. Since that time the building is only being utilized as storage, which is in disarray. The Organization should establish a planning committee to determine the best use for the facility that could possibility generate additional revenue or at a minimum reduce any potential liability that may occur with an empty building. The items being stored can create additional fire hazards or possibly create issues with the City zoning.

I wish to thank the Executive Director and Administrative Assistant for their support, cooperation, and assistance during my audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Hilarion V. Cann, CPA
Clarksburg, West Virginia
March 1, 2016

DHHR - Finance

MAR 22 2016

Date Received