

2018 Iowa Balance of State Continuum of Care (CoC)
Final New Project Application: Deadline: Wednesday, August 15, 2018, 11:59 PM (LOI due August 1, 2018)

Instructions: Answer the questions below. Include a "Self-Score" as indicated.

APPLICANT NAME AND LOCATION

| | | | |
|--|--|---------|-----------|
| Organization Name: | Humility of Mary Shelter, Inc. dba Humility Homes & Services | | |
| Project Name: | Dedicated PLUS Housing | | |
| Type of Project (Permanent Supportive Housing, Rapid Rehousing, Joint Transitional Housing & Rapid Rehousing, DV Bonus Rapid Re-Housing, or DV Bonus Joint TH-RRH) | Permanent Supportive Housing | | |
| Project Name: | Dedicated PLUS Housing | | |
| Anticipated Renewal Amount: | \$227,049 | | |
| Address: | 1016 W. 5th St. Davenport, Iowa 52802 | | |
| Primary Contact (w/Email & Phone): | Emily Harvey, CEO, eharvey@humilityofmaryhousing.com, 563-326-1330 | | |
| Secondary Contact (w/Email & Phone): | Cassandra Gripp, Lead Grants Manager, cgripp@humilityofmaryhousing.com, 563-326-1330 | | |
| Is your agency currently registered in the Federal System for Award Management?: | Circle or Enter: Yes | DUNS #: | 828271325 |

THRESHOLD ASSURANCES (required)

Projects **MUST** meet **ALL** of these requirements to be eligible for consideration.

Will the project be free of the following barriers to accessing housing and services? Verify that each barrier described will **NOT** exist:

| | Assurances met? | Assurances met? | Threshold Notes |
|--|-----------------------------------|-----------------|-----------------|
| a. Client having too little or no income: | Circle or Enter: Not a barrier | | |
| b. Client having a criminal record with exceptions for state-mandated restrictions: | Circle or Enter: Not a barrier | | |
| c. Client fleeing domestic violence (e.g., lack of a protective order, period of separation from abuser, or law enforcement involvement): | Circle or Enter: Not a barrier | | |
| d. Client having (or not having) a previous address within Iowa: | Circle or Enter: Not a barrier | | |
| e. Project failing to comply with HUD's 2016 Gender Identity Rule: (https://www.hudexchange.info/resource/1991/equal-access-to-housing-final-rule/) | Circle or Enter: Not a barrier | | |
| | Yes | | |

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CONTINUUM OF CARE PARTICIPATION (9 points, questions 1-4)

1 Local Participation: Since January 2017, have representatives of your agency attended meetings as part of organizing a Coordinated Services Region (CSR) that includes your local service area OR attended meetings of your organized local planning group? Posted meeting minutes must be able to verify attendance. List meetings below. (1 point for each meeting attended, up to 3 points)

| Representative (Name of Individual) | Region or Planning Group | Date Attended | Self-Score (up to 3) | CoC Score (up to 3) | Scoring Notes |
|-------------------------------------|--------------------------|---------------|-------------------------|------------------------|---------------|
| Cathy Jordan, Emily Harvey | QC Shelter & TH Council | 10/16/2017 | | | |
| Cathy Jordan | QC Shelter & TH Council | 11/20/2017 | | | |
| Cathy Jordan | QC Shelter & TH Council | 12/18/2017 | | 3 | |

2 ICH Participation: Since January 2017, have representatives of your agency attended at least three bimonthly meetings of the Iowa Council on Homelessness? Note that anyone can participate in Council meetings even if not a voting member. Posted meeting minutes must verify attendance. (1 point if at least three meetings attended)

| Representative (Name of Individual) | Date Attended | Three meetings attended? Circle or enter: | Self-Score (up to 1) | CoC Score (up to 1) | Scoring Notes |
|---|---------------|---|-------------------------|------------------------|---------------|
| C. Gripp, E. Harvey, C. Jordan, J. Lynch, S. Dimmer | 8/4/2017 | yes | | | |
| Cassy Gripp | 9/15/2017 | | | | |
| C. Gripp, E. Harvey, C. Jordan, J. Lynch, J. Campbell | 11/17/2017 | | | 1 | |

3 ICH Committee Participation: Since January 2017, have representatives of your project attended at least three meetings of one or more Iowa Council on Homelessness committees, including work groups such as the Coordinated Entry Workgroup? Note that anyone can participate in committee meetings even if not a Council member. Posted meeting minutes must verify attendance. (1 point for each meeting attended, up to 3 points)

| Representative (Name of Individual) | Committee | Date Attended | Self-Score (up to 3) | CoC Score (up to 3) | Scoring Notes |
|--|---------------------|---------------|-------------------------|------------------------|---------------|
| Cathy Jordan | Coordinated Entry | 3/21/2017 | | | |
| C. Adamson, S. Dimmer, E. Harvey, J. Lynch | Executive Committee | 4/21/2017 | | | |
| Emily Harvey | Executive Committee | 12/15/2017 | | 3 | |

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4 Other CoC Participation: Have representatives of your project participated in any of the following activities? Participation records must verify attendance. (1 point for each activity, up to 2 points)

| Activity | | Representative (Name of Individual) | Self-Score (up to 2) | CoC Score (up to 2) | Scoring Notes |
|--|-------------------------------------|-------------------------------------|-------------------------|------------------------|---------------|
| 2017 or 2018 HUD Peer-to-Peer Symposium; Symposium planning meeting or 2017 HousingIowa Conference | | Christine Adamson | | | |
| Local Unsheltered 2018 Point-in-Time Street Count | County/ies: Scott, Rock Island (IL) | Cathy Jordan | 2 | | |

AGENCY EXPERIENCE (49 points, questions 5-10)

5 Agency History: Describe the agency's experience in effectively addressing homelessness, including permanent supportive housing and/or supportive services or prevention services for those experiencing or at risk of homelessness. (10 points)

| Agency History | Self-Score (up to 10) | CoC Score (up to 10) | Scoring Notes |
|--|--------------------------|-------------------------|---------------|
| Nearly thirty years of program management experience in supportive housing and services gives HMSI an advantage. HMSI currently operates 44 units of Permanent Supportive Housing across 3 programs, 30 of which are dedicated to chronically homeless individuals. All programs operate utilizing a housing first philosophy. Service Coordinators are trained in Trauma Informed Care and empowerment-focused practices and have experience working with individuals and families experiencing homelessness. HMSI has also developed relationships with local landlords and property management companies in order to obtain quick access to affordable units of rental housing and to facilitate housing arrangements agreeable to both program participants and property managers. HMSI's connections with local law enforcement, emergency services, and other mainstream service providers help ease participants' transitions from homelessness to housing stability. Recognizing that each individual situation is unique, HMSI also manages several other programs in the effort to address homelessness in a variety of ways, such as Rapid Rehousing, Supportive Services for Veteran Families which includes both a rapid rehousing and a homelessness prevention component, and transitional housing. | 10 | | |

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Grant and Fundraising History: Describe the agency's experience in utilizing funds to address homelessness from sources including federal, state, local governments and private funds such as United Way, community foundation and individual donors. (10 points; 2 for each type of source described here)

6

Humility of Mary Shelter, Inc. receives funds from numerous sources to support their efforts in addressing homelessness. These sources include federal HUD Continuum of Care funds and VA funds for programs such as Supportive Services for Veteran Families (SSVF) and Grant and Per Diem (GPD), state funding from the Shelter Assistance Fund, funds from the Eastern Iowa Mental Health and Disability Services Region, city funding from Community Development Block Grant funds, funds from various local foundations such as United Way and Community Foundation of the Great River Bend, as well as receiving generous support from a number of dedicated donors.

| Self-Score (up to 10) | CoC Score (up to 10) | Scoring Notes |
|--------------------------|-------------------------|---------------|
| 10 | | |

7 Describe your agency's basic organization and management structure as it relates to this proposed project. Include relationship of any sub-contractors: (10 points)

HMSI's Board of Directors oversees policy and strategic planning. The Chief Executive Officer and Chief Operations Officer share the role of providing leadership for day to day operations. The Housing Programs Supervisor oversees all program operations, including capacity, and quality assurance and improvement. The Service Coordinators provide direct supportive services to program participants. The Lead Grants Manager oversees the management of all aspects of the grant administration using the applicable federal regulations and HMSI's Policies and Procedures, including reviewing all grant expenditures, submitting monthly draws and completing all reporting requirements. Internally, the Finance Team is made up of the Chief Financial Officer and the Finance Assistants; they utilize Quickbooks to accurately track and record expenses and income for all projects. External audits are performed each year by an independent auditor, and various funders such as the VA also regularly monitor HMSI.

| Self-Score (up to 10) | CoC Score (up to 10) | Scoring Notes |
|--------------------------|-------------------------|---------------|
| 10 | | |

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Explain the current homelessness need that this project proposes to address and why and how this particular project is likely to reduce or eliminate this need. Cite available data relevant to the community/ies to be served and to the identified need. Describe any resources currently addressing this need. How would this project be truly "new" in terms of the services provided and the population to be served?

For example, if the need addresses a particular subset of those experiencing/at risk of homelessness, (i.e. chronically homeless individuals), include information about the number of such individuals in the proposed service area. Indicate the number of units currently available for the population, the existing programs managing any such units and cite waiting lists if they exist. Describe the additional units this project would make available and your agency's ownership and/or relationship with ownership of the units. (10 points)

8

| | Self-Score (up to 10) | CoC Score (up to 10) | Scoring Notes |
|--|--------------------------|-------------------------|---------------|
| <p>According to the 2018 Point-In-Time Count for the Iowa Balance of State Continuum of Care, there were 5 unsheltered households with at least one adult and one child, 89 in emergency shelter, and 153 in transitional housing. According to the 2018 Housing Inventory Count (HIC), there are only 7 units of Permanent Supportive Housing in the city of Davenport for households with children. These 7 units are dedicated to veteran families through Davenport Housing Authority's HUD VASH program. Other local housing opportunities for households with children experiencing homelessness include 10 units of shelter through Family Resources, however these are dedicated to families who have experienced domestic violence. In May, 2018, The Salvation Army announced that they would be closing the Family Service Center; the only emergency shelter for families in Davenport. With this, they will also be closing their 14 units of Transitional Housing for Families.</p> <p>On July 1st, 2018 Humility of Mary Shelter, Inc. merged with Humility of Mary Housing Inc. In doing so, they retained the legal entity of Humility of Mary Shelter, Inc. and are now doing business as Humility Homes and Services, Inc. With that transition comes shifts in programming. Humility of Mary Housing, Inc. came into the partnership with a Transitional Housing program for families. The new entity has made the decision to not continue operating this program in the future due to shifts in funding. This means that there are now no Transitional Housing opportunities for families in Davenport.</p> <p>Humility Homes & Services, Inc. currently operates a number of programs which address the needs of individuals experiencing homelessness. However, internally, families with children only have the opportunity to access rapid rehousing programs. HHSI acknowledges that there is a need in the community for more diverse housing options for families experiencing homelessness and believes that offering a permanent supportive housing program to families will help address the unique needs of families who require an increased level of support in pursuit of maintaining stable housing. Additionally, HHSI acknowledges that meeting HUD's definition of chronically homeless can be difficult for families with children. HHSI believes that utilizing HUD's Dedicated PLUS criteria will assist in identifying eligible families. HHSI also continues to experience an increased demand for permanent supportive housing for individuals. This program will allow HHSI to address both needs using HUD's Dedicated PLUS criteria, which has not yet been utilized in the area. HHSI will work with local landlords to secure 15 units of housing on a master lease basis and will in turn house participants in the units and provide supportive services.</p> | <p align="center">10</p> | | |

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| | | Self-Score (0 or 2) | CoC Score (0 or 2) | Scoring Notes |
|---|------------------|------------------------|-----------------------|---------------|
| 9 Financial Capacity: (2 points for yes; must attach letter) | Circle or enter: | | | |
| Does your agency undergo annual audits by a CPA? | Yes | 2 | | |
| Attach letter from your most recent audit. | | | | |

| | | Self-Score (up to 2) | CoC Score (up to 2) | Scoring Notes |
|---|----|-------------------------|------------------------|---------------|
| 10 Administration Costs: (2 points if 7.0% or less) | | | | |
| a) What percentage of the budget requested will be used as administrative costs, i.e., costs other than direct program expenses and salary/benefits of staff working directly on the project? | 7% | 2 | | |

| | | Self Score (up to 5) | Self Score (up to 5) | Scoring Notes |
|---|--|-------------------------|-------------------------|---------------|
| b) Briefly describe your agency's financial staffing and capacity: (up to 5 points) | | | | |
| The Lead Grants Manager oversees the management of all aspects of the grant administration using the applicable federal regulations and HMSI's Policies and Procedures, including reviewing all grant expenditures, submitting monthly draws and completing all reporting requirements. The Finance Team is made up of the Chief Financial Officer and the Finance Assistants; they utilize Quickbooks to accurately track and record expenses and income for all projects. | | 5 | | |

PROJECT DESIGN (23 points, questions 11-14)

| | | Self-Score (0 or 10) | CoC Score (0 or 10) | Scoring Notes |
|---|--|-------------------------|------------------------|---------------|
| 11 Project Type: (10 points) | | | | |
| Mark one: <input checked="" type="checkbox"/> -Permanent supportive housing project that meet requirements of DedicatedPLUS or 100% dedicated for chronically homeless individuals and families (10 points) <input type="checkbox"/> -Rapid Rehousing project that serve individuals and families, including unaccompanied youth who meet the criteria outlined in HUD's 2018 NOFA (10 points) <input type="checkbox"/> -Hybrid Joint TH and PH-RRH component project (10 points) <input type="checkbox"/> -DV Bonus Rapid Re-Housing (10 points) <input type="checkbox"/> -DV Bonus Joint TH-RRH Program (10 points) | | 10 | | |

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12 Housing First: Will the project ensure participants are NOT terminated for the following reasons, as evidenced by a written termination policy attached to the application? (select all that apply) (5 points; MUST attach written termination policy for points)

| | |
|---|-------------------------|
| Failure to participate in supportive services and/or failure to make progress on a service plan: (1 point if yes AND matches attached termination policy) | Circle or enter: Yes |
| Loss of income or failure to improve income: (1 point if yes AND matches attached Termination Policy) | Circle or enter: Yes |
| Active substance abuse: (1 point if yes AND matches attached termination policy) | Circle or enter: Yes |
| Any other activity not covered in a lease agreement typically found in the project's geographic area: (1 point if yes AND matches attached termination policy) | Circle or enter: Yes |
| and ensure that: | |
| Every effort is made to help participants transition to other housing options when continuation in this project is jeopardized or about to expire? (1 point if yes) | Circle or enter: Yes |

| Self-Score (up to 5) | CoC Score (up to 5) | Scoring Notes |
|-------------------------|------------------------|---------------|
| 5 | | |

13 Supportive Services: Indicate how clients will be served. (Up to 5 for a; 1 each for b-d)

| |
|--|
| a. Briefly describe how clients will be assisted with obtaining and remaining in permanent housing: Service Coordinators will work with participants in creating an Individual Services Plan (ISP) to determine what needs the individual or family has. The participant(s) will be housed in one of 15 PSH units acquired by HHSI. Through the ISP, Service Coordinators will work with participants on areas such as increasing or maintaining income or accessing transportation, as well as providing referrals to community resources to assist in addressing needs. HHSI believes in maintaining a housing-focused model of service coordination, meaning all services provided should positively impact the participants ability to remain stably housed. |
|--|

| Self-Score (Up to 5) | Self-Score (Up to 5) | Scoring Notes |
|-------------------------|-------------------------|---------------|
| 5 | | |

14 Check below for each statement that is true for this project. (1 point for each "yes")

| | |
|---|-------------------------|
| b. At least semi-annual follow-ups will be conducted with participants after project exit to ensure and verify that mainstream benefits are received and renewed (and for RRH projects, to ensure and verify that housing stability is maintained). | Circle or enter: Yes |
| c. Project participants will have access to SSI/SSDI technical assistance provided by the applicant, a sub-recipient, or partner agency. | Circle or enter: Yes |
| d. Transportation assistance will be provided to clients to attend mainstream benefit appointments, employment training, or jobs. | Circle or enter: Yes |

| Self-Score (up to 3) | CoC Score (up to 3) | Scoring Notes |
|-------------------------|------------------------|---------------|
| 3 | | |

**2018 Iowa Balance of State Continuum of Care
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PROJECT EVALUATION PLAN (5 points, question 15)

15

Project Evaluation: (up to 5 points for a.; b-d for establishing baseline only)

| a. Number of participants to be served in project year. | Number: 23 | Self-Score (0 to 5) | CoC Score (0 to 5) | Scoring Notes |
|---|------------|------------------------|-----------------------|---------------|
| <p>Justify estimated number, citing previous history and other relevant factors, including local homeless data. Given the shifts in services offered in the city of Davenport and history of occupancy in other PSH programs, HHSI is confident in our ability to keep this program full. This program will provide 10 one-bedroom units, 2 two-bedroom units, and 3 three-bedroom units of PSH to self-defined families and/or individuals. If in every unit there is only one person per bedroom HHSI will have met this metric. It is also possible that the project may serve more than 23 participants, dependent upon family composition.</p> | | 5 | | |
| <p>b. Estimate the percentage of all adult participants who increased <u>total income</u> (earned AND non-employment) from entry to exit:</p> | 25% | | | |
| <p>c. Estimate the percentage of successful exits:</p> | 85% | | | |
| <p>d. Percentage of all participant leavers who exit to shelter, streets or unknown:</p> | 15% | | | |

BUDGET (14 points, question 16)

16 **Budget request:** Provide a summary budget for the proposed project. Include the amounts that will be requested in each relevant category, according to HUD's rules for the particular proposed project. Include the total budget request. Also include the amount that will be requested for administration, referencing #9 above. Use space below or attach separately. (14 points)

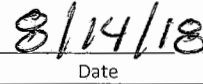
| Category | Description | Cost | Self Score (Up to 14) | CoC Score (Up to 14) | Scoring Notes |
|--|-------------------------|---------------|--------------------------|-------------------------|---------------|
| Supportive Services | | | | | |
| Case Management - Service Coordinator Salaries | 2 FTE Salary & Benefits | \$ 83,640.00 | | | |
| Transportation | Mileage & Bus Passes | \$ 6,600.00 | | | |
| Supportive Services Subtotal | | \$ 90,240.00 | | | |
| Leasing | | | | | |
| One-bedroom units at FMR (\$578) | 10 units | \$ 69,360.00 | | | |
| Two-bedroom units at FMR (\$732) | 2 units | \$ 17,712.00 | | | |
| Three-bedroom units at FMR (\$969) | 3 units | \$ 34,884.00 | | | |
| Leasing Subtotal | | \$ 121,956.00 | | | |
| Administration | | \$ 14,853.00 | | | |
| Total Request | | \$ 227,049.00 | | | |
| | | | | | |
| | | | | | |
| | | | 14 | | |

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CERTIFICATION

I certify that to the best of my knowledge and belief, the responses provided above in this application are true, accurate and complete. I further understand that false or incomplete information may result in this application being ineligible for funding.


Primary Contact


Date

SUBMISSION CHECKLIST

Be sure you have:

- * completed a response and self-score for each item appropriate to your project
 - * attached a copy of your termination policy
 - * attach a copy of your most recent audit letter
 - * attach an itemized budget (if not in text of application)
 - * provided the appropriate signature on the CERTIFICATION box above (You may insert a signature electronically or print the page, sign and send as a scanned attachment.)
 - * Indicate the agency/project name on each final page of the submitted application.
 - * If applying for the DV Bonus, include the DV BONUS SUPPLEMENT application questions and responses in the application package.
- * submit as ONE PDF by 11:59 pm Wednesday August 15, 2018 to amber.lewis@iowa.gov.

Humility Homes & Services, Inc.
Dedicated PLUS Program

Humility Homes and Services, Inc.

Termination and Appeal Procedure-Permanent Supportive Housing

If a participant does not agree with their termination from a program, they can file an appeal orally or in writing to resolve their concerns.

Appeal Procedure

- Participants will be offered a copy of the Termination and Appeal Procedure at program entry and be asked to sign a copy.
- If a participant does not agree with their termination from a program they can file an appeal within 48 hours from date of their termination.
- Appeal forms are available at the front desk or the appeal can be completed verbally to the Housing Supervisor.
- The appeal form is given to the Housing Supervisor who will meet with the participant within two business days. A decision will be issued to the participant in writing within 1 business day.
- In the event the participant is not satisfied with the appeal decision, they will meet with an appeal committee within two business days of notification of the decision from the Housing Supervisor. Once a time is scheduled, participants will be notified by letter and must be present for the scheduled time of the appeal.
- The appeal committee will consist of three neutral staff; to never include the participant's Service Coordinator, the Housing Supervisor, but can include any other HHSI staff except the CEO.
- The appeal committee will first meet with the participant and then review all relevant documents.
- The appeal committee will immediately give their decision to the Housing Supervisor who will issue a written determination to the participant within 24 hours.

Termination from Permanent Supportive Housing can only occur for the following reasons:

- Violent behavior
- Possession of illegal drugs, or illegal weapons in your apartment
- Threatening, or intimidating behavior
- Illegal gang activity

Participants will not be terminated from Permanent Supportive Housing for the following reasons:

- Failure to participate in supportive services or to make progress on a service plan
- Active substance abuse
- Loss of income or failure to improve income

I have reviewed, understand, and agree to all contents in this document, and have been offered a copy of this document.

Participant Signature: _____ Date: _____

Service Coordinator Signature: _____ Date: _____

**HUMILITY OF MARY HOUSING, INC.
AND SUBSIDIARY
HUMILITY OF MARY SHELTER
Davenport, Iowa**

Combined Financial Statements

June 30, 2017 and 2016

**HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.
Davenport, Iowa**

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CPAs and Advisors

Independent Auditors' Report

To the Board of Directors of
Humility of Mary Housing, Inc. and Subsidiary
and Humility of Mary Shelter, Inc.

We have audited the accompanying combined financial statements of Humility of Mary Housing, Inc. and Subsidiary and Humility of Mary Shelter, Inc., which comprise the combined statement of financial position as of June 30, 2017, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 combined financial statements.

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

tdtpe.com

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Humility of Mary Housing, Inc. and Subsidiary and Humility of Mary Shelter, Inc. as of June 30, 2017, and the changes in their net assets and their flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The combined financial statements of Humility of Mary Housing, Inc. and Subsidiary and Humility of Mary Shelter, Inc. as of June 30, 2016, were audited by other auditors whose report dated March 31, 2017, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017, on our consideration of Humility of Mary Shelter, Inc.' 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 Humility of Mary Shelter, Inc.' internal control over financial reporting and compliance.

TDE&T CPAs and Advisors, P.C.

Cedar Rapids, Iowa
December 21, 2017

**HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.
Combined Statements of Financial Position
June 30, 2017 and 2016**

| Assets | | |
|---|--------------|-----------|
| | 2017 | 2016 |
| Current assets | | |
| Cash and cash equivalents | \$ 1,016,881 | 1,319,405 |
| Contributions and grants receivable | 471,986 | 276,835 |
| United Way- unconditional promises to give | - | 109,480 |
| Prepaid expenses | 52,294 | 61,905 |
| Total current assets | 1,541,161 | 1,767,625 |
| Property and equipment | 2,810,590 | 2,990,884 |
| Investments | 946,884 | 758,493 |
| Other assets | 18,869 | 16,514 |
| | \$ 5,317,504 | 5,533,516 |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Current maturities of long-term debt | \$ 67,110 | 629,970 |
| Accounts payable and accrued expenses | 146,854 | 187,511 |
| Total current liabilities | 213,964 | 817,481 |
| Long term debt, net of current maturities and discount on note | 1,371,010 | 1,287,727 |
| Total liabilities | 1,584,974 | 2,105,208 |
| Net assets | | |
| Unrestricted | | |
| Undesignated | 2,679,903 | 2,603,637 |
| Board designated | 841,446 | 647,195 |
| Total Unrestricted | 3,521,349 | 3,250,832 |
| Temporarily restricted | 211,181 | 177,476 |
| Total net assets | 3,732,530 | 3,428,308 |
| | \$ 5,317,504 | 5,533,516 |

See accompanying notes to financial statements.

**HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.**
Combined Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2017 and 2016

| | 2017 | | | 2016 | | |
|---|---------------------|---------------------------|------------------|------------------|---------------------------|------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Support, revenues, and gains: | | | | | | |
| Support | | | | | | |
| Contributions | \$ 823,428 | - | 823,428 | 1,102,936 | 16,250 | 1,119,186 |
| Value of donated services and materials | 232,455 | - | 232,455 | 127,432 | - | 127,432 |
| United Way of the Quad Cities Area | 29,009 | - | 29,009 | 38,607 | 109,480 | 148,087 |
| Foundation and government grants | 1,077,715 | 190,014 | 1,267,729 | 1,777,097 | - | 1,777,097 |
| Loan forgiveness on long-term debt | 403,683 | - | 403,683 | - | - | - |
| Gain (loss) on sale of property and equipment | (571) | - | (571) | - | - | - |
| Net assets released from restrictions | 158,663 | (158,663) | - | 135,934 | (135,934) | - |
| Total support | 2,724,382 | 31,351 | 2,755,733 | 3,182,006 | (10,204) | 3,171,802 |
| Revenues and gains | | | | | | |
| Program service fees | 173,498 | - | 173,498 | 141,223 | - | 141,223 |
| Fundraising events | 69,383 | - | 69,383 | 75,236 | - | 75,236 |
| Investment income | 88,531 | - | 88,531 | 6,954 | - | 6,954 |
| Change in community foundation | - | 2,354 | 2,354 | - | (484) | (484) |
| Miscellaneous | 10,896 | - | 10,896 | 8,051 | - | 8,051 |
| Total revenues and gains | 342,308 | 2,354 | 344,662 | 231,464 | (484) | 230,980 |
| Total support, revenues and gains | 3,066,690 | 33,705 | 3,100,395 | 3,413,470 | (10,688) | 3,402,782 |
| Expenses | | | | | | |
| Program services | 2,499,187 | - | 2,499,187 | 2,788,507 | - | 2,788,507 |
| Supporting services - management and general | 272,573 | - | 272,573 | 291,869 | - | 291,869 |
| Supporting services - fundraising | 24,413 | - | 24,413 | 28,401 | - | 28,401 |
| Total Expenses | 2,796,173 | - | 2,796,173 | 3,108,777 | - | 3,108,777 |
| Change in net assets | 270,517 | 33,705 | 304,222 | 304,693 | (10,688) | 294,005 |
| Net assets - beginning of year | 3,250,832 | 177,476 | 3,428,308 | 2,946,139 | 188,164 | 3,134,303 |
| Net assets - end of year | \$ 3,521,349 | 211,181 | 3,732,530 | 3,250,832 | 177,476 | 3,428,308 |

See accompanying notes to financial statements.

**HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.
Combined Statement of Functional Expenses
For the Year Ended June 30, 2017**

| | <u>Program Services</u> | | <u>Supporting Activities</u> | | <u>Total Expenses</u> |
|---|-------------------------|-------------------------------|------------------------------|--|-----------------------|
| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | | |
| Salaries | \$ 883,445 | 88,235 | 9,804 | | 981,484 |
| Health Insurance and other benefits | 109,343 | 10,935 | 1,215 | | 121,493 |
| Payroll taxes | 106,642 | 10,663 | 1,185 | | 118,490 |
| Total salaries and related expenses | <u>1,099,430</u> | <u>109,833</u> | <u>12,204</u> | | <u>1,221,467</u> |
| Property lease | 332,452 | - | - | | 332,452 |
| Repairs and maintenance | 61,707 | 9,022 | - | | 70,729 |
| Utilities | 120,652 | 13,694 | 2,250 | | 136,596 |
| Supplies | 34,679 | 5,660 | 2,223 | | 42,562 |
| Telephone | - | 7,057 | 771 | | 7,828 |
| Printing | - | 4,598 | 1,533 | | 6,131 |
| Postage | - | 3,295 | 3,296 | | 6,591 |
| Hospitality | - | 3,279 | - | | 3,279 |
| Professional fees | - | 62,546 | - | | 62,546 |
| Special assistance | 2,695 | - | - | | 2,695 |
| Travel | 13,190 | 432 | - | | 13,622 |
| Staff training | 656 | - | - | | 656 |
| Insurance | 25,562 | 35,355 | - | | 60,917 |
| Value of donated services and materials | 232,455 | - | - | | 232,455 |
| Program/participants expense | 36,035 | - | - | | 36,035 |
| Program- transportation | 3,672 | - | - | | 3,672 |
| Program- mental health services | 3,100 | - | - | | 3,100 |
| Program- Valor/SSVF | 266,632 | - | - | | 266,632 |
| Interest | 77,585 | - | - | | 77,585 |
| Distributions to subrecipients | - | - | - | | - |
| Fundraising events | - | - | 2,136 | | 2,136 |
| Miscellaneous | 2,870 | 17,802 | - | | 20,672 |
| Property taxes | 4,113 | - | - | | 4,113 |
| Total expenses before depreciation | <u>2,317,485</u> | <u>272,573</u> | <u>24,413</u> | | <u>2,614,471</u> |
| Depreciation | 181,702 | - | - | | 181,702 |
| | <u>\$ 2,499,187</u> | <u>272,573</u> | <u>24,413</u> | | <u>2,796,173</u> |

See accompanying notes to financial statements.

**HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.
Combined Statement of Functional Expenses
For the Year Ended June 30, 2016**

| | <u>Program Services</u> | <u>Supporting Activities</u> | | <u>Total Expenses</u> |
|---|-------------------------|-------------------------------|--------------------|-----------------------|
| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | |
| Salaries | \$ 1,028,125 | 102,697 | 11,411 | 1,142,233 |
| Health Insurance and other benefits | 143,260 | 14,327 | 1,592 | 159,179 |
| Payroll taxes | 128,749 | 12,874 | 1,431 | 143,054 |
| Total salaries and related expenses | <u>1,300,134</u> | <u>129,898</u> | <u>14,434</u> | <u>1,444,466</u> |
| Property lease | 196,928 | - | - | 196,928 |
| Repairs and maintenance | 48,699 | 8,705 | - | 57,404 |
| Utilities | 158,742 | 17,588 | 2,926 | 179,256 |
| Supplies | 32,383 | 4,973 | 2,040 | 39,396 |
| Telephone | - | 8,085 | 886 | 8,971 |
| Printing | - | 9,244 | 3,081 | 12,325 |
| Postage | - | 3,292 | 3,292 | 6,584 |
| Hospitality | - | 6,381 | - | 6,381 |
| Professional fees | - | 30,884 | - | 30,884 |
| Special assistance | 2,190 | - | - | 2,190 |
| Travel | 13,358 | 470 | - | 13,828 |
| Staff training | 710 | - | - | 710 |
| Insurance | 19,583 | 25,888 | - | 45,471 |
| Value of donated services and materials | 127,432 | - | - | 127,432 |
| Program/participants expense | 42,309 | - | - | 42,309 |
| Program- transportation | 8,589 | - | - | 8,589 |
| Program- mental health services | 39,562 | - | - | 39,562 |
| Program- Valor/SSVF | 283,331 | - | - | 283,331 |
| Interest | 70,257 | - | - | 70,257 |
| Distributions to subrecipients | 247,776 | - | - | 247,776 |
| Fundraising events | - | - | 1,742 | 1,742 |
| Miscellaneous | 13,799 | 46,461 | - | 60,260 |
| Property taxes | 2,944 | - | - | 2,944 |
| Total expenses before depreciation | <u>2,608,726</u> | <u>291,869</u> | <u>28,401</u> | <u>2,928,996</u> |
| Depreciation | 179,781 | - | - | 179,781 |
| | <u>\$ 2,788,507</u> | <u>291,869</u> | <u>28,401</u> | <u>3,108,777</u> |

See accompanying notes to financial statements.

**HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.
Combined Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016**

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 304,222 | 294,005 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 181,702 | 179,781 |
| Forgiveness of long-term debt | (403,683) | - |
| (Gain) Loss on sale of property | 571 | - |
| Contribution of building- net of write down | - | (50,000) |
| Discounts on long term debt - interest expense | 78,031 | 67,418 |
| Net realized and unrealized (gain) loss on investments | (79,537) | 3,691 |
| Changes in assets and liabilities: | | |
| Contributions and grants receivable | (195,151) | 16,504 |
| United Way- unconditional promises to give | 109,480 | (6,953) |
| Prepaid expenses | 9,611 | (24,028) |
| Other assets | (2,355) | 484 |
| Accounts payable and accrued expenses | (40,657) | 15,521 |
| Net cash provided by operating activities | <u>(37,766)</u> | <u>496,423</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (51,979) | (115,405) |
| Purchases of investments | (374,523) | (1,041,304) |
| Proceeds from sales and maturities of investments | 265,669 | 962,283 |
| Proceeds from sale of property | 50,000 | - |
| Net cash provided (used) by investing activities | <u>(110,833)</u> | <u>(194,426)</u> |
| Cash flows from financing activities: | | |
| Principal payments of long term debt | (153,925) | (401,151) |
| Net cash (used in) financing activities | <u>(153,925)</u> | <u>(401,151)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(302,524)</u> | <u>(99,154)</u> |
| Cash and cash equivalents, beginning of year | <u>1,319,405</u> | <u>1,418,559</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,016,881</u> | <u>1,319,405</u> |
| Supplemental disclosure of cash flow information | | |
| Interest paid | <u>\$ 1,637</u> | <u>5,550</u> |

See accompanying notes to financial statements.

HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY HUMILITY OF MARY SHELTER, INC.

Notes to Financial Statements

June 30, 2017 and 2016

Note 1 -Nature of the Organizations and Significant Accounting Policies

Humility of Mary Housing, Inc. and Humility of Mary Holdings, LLC (the "Subsidiary") and Humility of Mary Shelter, Inc. (the "Organizations") are not-for-profit organizations established to provide transitional and permanent supportive housing for low-income, single heads of households. The Organizations receive most of their support from contributions and grants from government agencies and private organizations.

Humility of Mary Housing, Inc. maintains 49 housing units, of which two are reserved for site managers that are not participants. ~~Twenty-one units are leased by the Organizations (thirteen from Humility of Mary Holdings, LLC and eight from others)~~ on a month-to-month basis and 28 units are owned by Humility of Mary Housing, Inc.

Humility of Mary Holdings, LLC was created to hold properties that were managed by Humility of Mary Housing, Inc. and held by a third party. Humility of Mary Housing, Inc. and a third party manage the properties (a total of 17 units).

Humility of Mary Shelter, Inc. is an emergency shelter providing temporary housing and services which offer the opportunity for men and women experiencing homelessness to become emotionally, mentally and physically more stable.

A summary of the Organizations' significant accounting policies are as follows:

Principles of Consolidation – The combined financial statements include the accounts of Humility of Mary Housing, Inc. and its wholly owned subsidiary, Humility of Mary Holdings, LLC. All significant intercompany accounts, balances and transactions have been eliminated in consolidation.

Principles of Combination – The combined financial statements include the accounts of Humility of Mary Housing, Inc. and Subsidiary and Humility of Mary Shelter, Inc. These Organizations are separate but are associated through a common Board of Directors and Officers. All material, inter-organizational accounts, balances and transactions, have been eliminated in the combination of the financial statements.

Use of Estimates - The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates. Management periodically evaluates estimates used in the preparation of the combined financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

Cash and Cash Equivalents – For purposes of reporting cash flows, the Organizations include all cash accounts that are not subject to withdrawal restrictions or penalties and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization places its cash with high credit quality financial institutions. At times, such amounts may be in excess of the Federal Deposit Insurance Corporation insurance limits.

**HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.
Notes to Financial Statements
June 30, 2017 and 2016**

Note 1 -Nature of the Organizations and Significant Accounting Policies (Continued)

Contributions and Grants Receivable – The Organizations record contributions (including unconditional promises to give) when the contributions are deemed unconditional. Contributions are reflected in the combined financial statements at the earlier of the transfer of assets or at the time the unconditional promises to give are made.

Contributions and grants receivable are recorded net of management’s estimate of an allowance for doubtful accounts of \$7,859 and \$7,572 for the years ended June 30, 2017 and 2016, respectively. The allowance for doubtful accounts is based on management’s review of the outstanding receivables, historical and current collections information, current condition and aging of the accounts and existing economic conditions.

The Organizations report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 combined statements of activities and change in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received, are reported as unrestricted contributions in the accompanying combined financials statements.

Grants from government, state and local agencies are accounted for as exchange transactions. The revenue is recognized as funds are expended for approved program expenditures.

Property and Equipment – Property and equipment are carried at cost, less accumulated depreciation. Major expenditures for improvements and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

| <u>Type</u> | <u>Estimated Useful Lives</u> |
|-----------------------------------|-------------------------------|
| Buildings and improvements | 3-40 years |
| Furniture, fixtures and equipment | 3-15 years |

Investments – The Organizations carry investments in marketable securities with readily determinable fair values and all debt securities at their fair value in the combined statements of financial position. Realized gains or losses are determined on the specific identification method and are reflected in the combined statements of activities and change in net assets. Unrealized gains and losses are reflected in the combined statements of activities and change in net assets.

The Organizations invest in various investment securities. Investment securities in general are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments securities, it is possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the combined statements of financial position.

**HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.
Notes to Financial Statements
June 30, 2017 and 2016**

Note 1 -Nature of the Organizations and Significant Accounting Policies (Continued)

Net Assets - Humility of Mary Housing, Inc. and Subsidiary and Humility of Mary Shelter, Inc.'s resources are classified into three separate classes of net assets as follows:

Unrestricted net assets - Net assets which are free of donor-imposed restrictions; and all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.

~~*Temporarily restricted net assets*~~ - ~~Net assets whose use by the Organizations are limited by~~ donor imposed restrictions that either expire by the passage of time or can be removed by fulfillment of the stipulated purpose for which the donation was restricted.

Permanently restricted net assets - Net assets donated with stipulations that they be invested to provide a permanent source of income (e.g. endowment funds); such restrictions can neither expire with the passage of time nor be removed by fulfillment of a stipulated purpose. The Organizations had no permanently restricted net assets as of June 30, 2017 and 2016.

Donated Services and Materials - The Organizations record their donated services and materials at estimated fair value at the date the service is provided or the material is received.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the combined statements of activities and change in net assets and in the combined statements of functional expenses. Certain costs have been allocated between program, management and general and fundraising classifications on the basis of time records, actual expenses and/or estimates made by the Organizations' management.

Income Taxes - The Organizations are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law and contributions to them are tax deductible within limitations prescribed by the Code. The Organizations have been classified as publicly supported Organizations that are not private foundations under Section 509(a) of the Internal Revenue Code.

In accordance with the Income Taxes Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codifications ("ASC"), management evaluated the Organizations' tax positions and concluded that the Organizations had maintained their tax-exempt status and had taken no uncertain tax positions that require adjustments to the combined financial statements. Therefore, no provision or liability for incomes taxes has been included in the combined financial statements. The Organizations are subject to routing audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Recent Accounting Pronouncements - In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the calendar year ending December 31, 2019. The Organizations are currently in the process of evaluating the impact of adoption of this ASU on the combined financial statements.

**HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.
Notes to Financial Statements
June 30, 2017 and 2016**

Note 1 -Nature of the Organizations and Significant Accounting Policies (Continued)

In August 2016, the FASB issued ASU 2016-14, *Nor for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. While the guidance is effective for fiscal years beginning after December 15, 2017, early adoption is allowed. Some of the key elements of the ASU are as follows. Under the new guidance, the Organizations would present net assets under two classifications, net assets with donor restrictions and net assets without donor restrictions. Expanded disclosures on any board designations of net assets without donor restrictions will also be required. Additional disclosures, both qualitative and quantitative, will be required to communicate information useful in assessing liquidity within one year of the statement of financial position date. The components of net investment expense no longer will be required to be disclosed; however, organizations may continue to include this information when their financial statement users have an interest in that information. In addition, some new reporting requirements related to expenses are included, as follows: disclosure of expenses by both nature and function (excluding investment expenses that have been netted with investment return), disclosure of expenses netted with investment return and enhanced disclosures regarding cost allocations. The Organizations are currently evaluating the effect this updated standard will have on the combined financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the combined statement of activities and change in net assets. This standard will be effective for the calendar year ending December 31, 2020. The Organizations are currently in the process of evaluating the effect of adoption of this ASU on the combined financial statements.

Reclassifications – Certain amounts from the prior year combined statements of activities and changes in net assets have been reclassified to conform with the presentation in the current year.

Subsequent Events – Management has evaluated subsequent events through December 31, 2017, the date the combined financial statements were available to be issued.

Note 2 – Property and Equipment

Property and equipment consist of:

| | June 30, 2017 | | |
|-----------------------------------|--|---------------------------------------|---------------------|
| | Humility of Mary Housing, Inc. And Subsidiary | Humility of Mary Shelter, Inc.. | Combined Total |
| Land | \$ 283,641 | \$ 91,751 | \$ 375,392 |
| Buildings and improvements | 2,836,602 | 1,136,156 | 3,972,758 |
| Furniture, fixtures and equipment | 182,966 | 193,610 | 376,576 |
| | 3,303,209 | 1,421,517 | 4,724,726 |
| Less: accumulated depreciation | (1,534,184) | (379,952) | (1,914,136) |
| | <u>\$ 1,769,025</u> | <u>\$ 1,041,565</u> | <u>\$ 2,810,590</u> |

**HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.
Notes to Financial Statements
June 30, 2017 and 2016**

Note 2 – Property and Equipment (Continued)

| | June 30, 2016 | | |
|-----------------------------------|--|---------------------------------------|-------------------|
| | Humility of Mary Housing, Inc. And Subsidiary | Humility of Mary Shelter, Inc.. | Combined Total |
| Land | \$ 283,641 | \$ 91,751 | \$ 375,392 |
| Buildings and improvements | 2,873,442 | 1,133,881 | 4,007,323 |
| Furniture, fixtures and equipment | 177,837 | 164,485 | 342,322 |
| | 3,334,920 | 1,390,117 | 4,725,037 |
| Less: accumulated depreciation | (1,413,471) | (320,682) | (1,734,153) |
| | \$ 1,921,449 | \$ 1,069,435 | \$ 2,990,884 |

Note 3 - Fair Value Measurements

Fair value accounting literature establishes a framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organizations have the ability to access.
- Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy. There have been no changes in the techniques and inputs used as of June 30, 2017 and 2016.

Certificates of deposit – Valued at cost plus accrued interest under agreements.

Government agency securities - Valued based on quoted prices in active markets.

Equities - Valued based on quoted prices in active markets.

Beneficial interest in assets held by a community foundation - Valued at the estimated pro-rata share of the community foundation's investment pool.

**HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.**

Notes to Financial Statements

June 30, 2017 and 2016

Note 3 - Fair Value Measurements (Continued)

The following tables present investment assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2017 and 2016. Assets and liabilities are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

| | June 30, 2017 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|--------------------------|---|--|--|
| Certificates of deposit | \$ 99,750 | - | 99,750 | - |
| Government agency securities | 332,063 | 332,063 | - | - |
| Equities | 515,071 | 515,071 | - | - |
| Beneficial interest in assets held by a community foundation | 18,869 | - | - | 18,869 |
| Total assets, at fair value | \$ 965,753 | 847,134 | 99,750 | 18,869 |

| | June 30, 2016 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|--------------------------|---|--|--|
| Certificates of deposit | \$ 99,926 | - | 99,926 | - |
| Government agency securities | 266,866 | 266,866 | - | - |
| Equities | 391,701 | 391,701 | - | - |
| Beneficial interest in assets held by a community foundation | 16,514 | - | - | 16,514 |
| Total assets, at fair value | \$ 775,007 | 658,567 | 99,926 | 16,514 |

The following is a reconciliation of the beginning and ending balances of the asset and liability measured at fair value on a recurring basis using significant unobservable (Level 3) inputs for the years ended June 30, 2017 and 2016:

| | |
|--|-----------------|
| Beginning balance, June 30, 2016 | \$ 16,514 |
| Unrealized gain (loss) related to instruments held at the reporting date | 2,355 |
| Balance, June 30, 2017 | <u>18,869</u> |
| The amount of total investment gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at June 30, 2017 | <u>\$ 2,355</u> |

**HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.
Notes to Financial Statements
June 30, 2017 and 2016**

Note 3 - Fair Value Measurements and Investments (Continued)

| | Beneficial Interest in Assets Held by a Community Foundation |
|--|---|
| Beginning balance, June 30, 2015 | \$ 16,690 |
| Unrealized gain (loss) related to instruments held at the reporting date | (176) |
| Balance, June 30, 2016 | <u>\$ 16,514</u> |
| The amount of total investment gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at June 30, 2016 | |
| | <u>\$ (176)</u> |

Note 4 - Long-Term Debt, Line of Credit and Related Party Transactions

During the years ended June 30, 1998 and 1997, Humility of Mary Housing, Inc. contracted out the construction of several duplexes. The total cost of the projects was \$774,136. Of the total project cost, \$207,859 was paid directly by Humility of Mary Housing, Inc. with the remaining amount of \$566,277 being paid directly to the contractor by the City of Davenport. The Organization entered into two mortgage agreements and signed promissory notes with the City of Davenport in the amount of \$403,682 and \$162,595, respectively. The mortgage agreements are secured by the duplexes on College Avenue and West 9th Street in Davenport, Iowa.

The first City of Davenport note is non-interest bearing and matured on September 10, 2016. Monthly payments of principal or interest were not required to be paid unless the borrower defaulted on the terms of the note, the mortgage or the covenants contained in the "Home Project Agreements" which are attached to the mortgage. In the event of default, Humility of Mary Housing, Inc. was required to make monthly payments in the amount of \$1,526 beginning the month following default until September 10, 2016, at which time the remaining balance on the note would become due and payable. Since no default occurred, the entire note was forgiven on September 10, 2016. The Organization recorded the note payable at its net present value using an interest rate of 7%, resulting in long-term debt of \$- and \$379,823 at June 30, 2017 and 2016, respectively.

The second City of Davenport note is non-interest bearing and matures on October 19, 2018. Monthly principal or interest payments are not required. In the event the borrower defaults on the terms of the note, the mortgage or the covenants contained in the "Home Project Agreements", which are attached to the mortgage, the entire note balance of \$162,595 would become due and payable. The Organization recorded the note payable at its net present value using an interest rate of 6%, resulting in long-term debt of \$162,595 and \$151,223 at June 30, 2017 and 2016, respectively.

**HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.
Notes to Financial Statements
June 30, 2017 and 2016**

Note 4 - Long-Term Debt, Line of Credit and Related Party Transactions (Continued)

Humility of Mary Housing, Inc. entered into an additional loan agreement with the City of Davenport on October 14, 2011, in the amount of \$29,000. The loan is non-interest bearing and is due in monthly payments of \$161 commencing September 1, 2012 through August 10, 2027, resulting in long-term debt of \$19,495 and \$21,428 at June 30, 2017 and 2016, respectively.

Humility of Mary Housing, Inc. had loans with religious orders of the Catholic Church, with interest rates varying from zero to 1.5%. All of these loans were paid off during 2017. The loans had total balances of \$142,500 at June 30, 2016.

Maturities of Humility of Mary Housing, Inc. long term debt as of June 30, 2017 are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2018 | \$ 1,933 |
| 2019 | 164,528 |
| 2020 | 1,933 |
| 2021 | 1,933 |
| 2022 | 1,933 |
| Thereafter | 9,830 |
| | <u>\$ 182,090</u> |

Humility of Mary Holdings, LLC has loan agreements with the City of Davenport. Two of the loans are non-interest bearing and one loan bears interest at 1%. The loans are due in varying annual payments through November 10, 2044, resulting in long-term debt of \$54,959 and \$57,450 at June 30, 2017 and 2016, respectively. At June 30, 2017, the total unpaid balance of these loans, net of the amortized discount of \$15,231 is \$39,728.

Humility of Mary Holdings, LLC has loan agreements with Iowa Financing Authority. The loans are non-interest bearing and are due in varying annual payments through September 30, 2018, resulting in long-term debt of \$357,102 and \$358,024 at June 30, 2017 and 2016, respectively. At June 30, 2017, the total unpaid balance of this loan, net of the amortized discount of \$15,031 is \$342,071.

Maturities of Humility of Mary Holdings, LLC long term debt as of June 30, 2017 are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2018 | \$ 3,497 |
| 2019 | 342,373 |
| 2020 | 1,909 |
| 2021 | 1,909 |
| 2022 | 1,917 |
| Thereafter | 30,194 |
| | <u>\$ 381,799</u> |

**HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.**

**Notes to Financial Statements
June 30, 2017 and 2016**

Note 4 - Long-Term Debt, Line of Credit and Related Party Transactions (Continued)

Humility of Mary Housing, Inc. and Humility of Mary Shelter, Inc. are affiliated with Congregation of the Humility of Mary (“CHM”). The Vice President of CHM serves as the Board President for the Organizations. During the years ending June 30, 2017 and 2016, CMH provided Humility of Mary Housing, Inc. with funding in the amounts of \$69,522 and \$65,000, respectively.

Humility of Mary Shelter, Inc. has loans with CHM for the years ending June 30, 2017 and 2016 in the amount of \$115,000. The loans have a stated interest rate of 0% and are unsecured. The loans are in the amount of \$50,000 and \$65,000 with a due date of September 4, 2017 and no specified due date, respectively. In addition, during the years ending June 30, 2017 and 2016, CHM provided Humility of Mary Shelter, Inc. with funding in the amount of \$47,589 and \$25,000 for the years ended June 30, 2017 and 2016, respectively.

During the year ended June 30, 2009, Humility of Mary Shelter, Inc. entered into a loan agreement with the Iowa Financing Authority (“IFA”) under the Multifamily Preservation Loan Program with a face amount of \$996,561. The agreement required no interest accrual or principal payments until November 1, 2011 with a final payment due November 1, 2046. On May 1, 2011, the Organization entered into a modified loan agreement with IFA and the face amount of the loan was reduced to \$806,100. The note is secured by the shelter building and is payable in monthly principal only payments of \$500 beginning January 1, 2012 until January 1, 2018. Effective January 1, 2018, the monthly payment will increase to \$3,835, including interest of 4.5% with a final payment due on November 1, 2048. The Organization recorded the loan at its net present value using an interest rate of 3%, resulting in long-term debt of \$663,000. At June 30, 2017, the total unpaid balance of this loan, net of the amortized discount of \$13,369, is \$759,231.

Maturities of Humility of Mary Shelter, Inc.’s long term debt as of June 30, 2017 are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2018 | \$ 61,680 |
| 2019 | 12,005 |
| 2020 | 12,556 |
| 2021 | 13,131 |
| 2022 | 13,740 |
| Thereafter | 761,119 |
| | <u>\$ 874,231</u> |

**HUMILITY OF MARY SHELTER, INC. HUMILITY OF MARY HOUSING,
INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.
Notes to Financial Statements
June 30, 2017 and 2016**

Note 5 – Board Designated Net Assets

The Board of Directors has designated net assets for an endowment fund to develop and sustain the financial strength of Humility of Mary Housing, Inc. The endowment fund will serve two primary functions: to provide monies for capital improvements and to provide for programs for the general use of Humility of Mary Housing, Inc. The Board does not have a set spending policy, however, any appropriations from the endowment fund require board approval.

The primary investment policy is to prudently invest the assets of the endowment fund that will provide conservative growth and income with moderate risk. This will be accomplished by selecting investments and professionals with a diversity of styles of management. The fund will observe the portfolio composition limits and restrictions and seek the performance goals set forth in the investment policy documents. The portfolio's broad target asset allocation is 65% equities and 35% fixed income securities. The investments are held by a trust company that also acts as the administrator. The administrator is responsible for investing funds based on the recommendations of the Board of Directors.

| | For the Years Ended June 30, | |
|-----------------------------------|---|-------------|
| | 2017 | 2016 |
| Net Assets, beginning of the year | \$ 647,195 | 440,140 |
| Investment income | 30,950 | 34,043 |
| Net unrealized gain (loss) | 49,616 | (41,826) |
| Purchases | 374,778 | 747,129 |
| Sales | (261,093) | (532,291) |
| Net assets, end of year | \$ 841,446 | 647,195 |

Note 6 - Temporarily Restricted Net Assets

The temporarily restricted net assets from the City of Davenport, Community Foundation technology grant, and Helpenstell Foundation grant are restricted for purposes specified by the donors. The temporarily restricted net assets from Hubbell-Waterman Foundation, Community Foundation beneficial interest, United Way of the Quad Cities Area and CHM Grant are restricted for time. Temporarily restricted net assets as of June 30, 2017 and 2016:

| | For the Year Ended June 30, 2017 | | |
|---|--|--------------------------------------|-------------------|
| | Humility of Mary Housing, Inc. and Subsidiary | Humility of Mary Shelter, Inc. | Combined Total |
| City of Davenport- West 9 th Street duplexes | \$ 2,299 | \$ - | \$ 2,299 |
| Helpenstell Foundation Grant | 18,000 | 15,000 | 33,000 |
| Hubbell-Waterman Grant | - | 150,000 | 150,000 |
| Community Foundation – Beneficial interest | 13,745 | 5,123 | 18,868 |
| Community Foundation – Technology grant | - | 7,014 | 7,014 |
| \$ | 34,044 | \$ 177,137 | \$ 211,181 |

**HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.**

Notes to Financial Statements

June 30, 2017 and 2016

Note 6 - Temporarily Restricted Net Assets (Continued)

| | For the Year Ended June 30, 2016 | | |
|---|--|---------------------------------------|-------------------|
| | Humility of Mary Housing, Inc. and Subsidiary | Humility of Mary Shelter, Inc.. | Combined Total |
| City of Davenport- College-Avenue duplexes | \$ 23,860 | \$ - | \$ 23,860 |
| City of Davenport- West 9 th Street duplexes | 11,372 | - | 11,372 |
| Community Foundation | 11,789 | 4,725 | 16,514 |
| United Way of the Quad Cities Area | 48,520 | 60,960 | 109,480 |
| CHM Grant | 16,250 | - | 16,250 |
| | \$ 111,791 | \$ 65,685 | \$ 177,476 |

Note 7 – Net Assets Released from Restrictions

Net assets released from donor restrictions by incurring expenses that satisfy the restricted purpose or by the occurrence of time or other events specified by the donors were as follows:

| | For the Year ended June 30, 2017 | | |
|------------------------------------|--|---------------------------------------|-------------------|
| | Humility of Mary Housing, Inc. and Subsidiary | Humility of Mary Shelter, Inc.. | Combined Total |
| United Way of the Quad Cities Area | \$ 48,520 | \$ 60,960 | \$ 109,480 |
| City of Davenport | 32,933 | - | 32,933 |
| CHM Grant | 16,250 | - | 16,250 |
| | \$ 97,703 | \$ 60,960 | \$ 158,663 |

| | For the Year ended June 30, 2016 | | |
|------------------------------------|--|---------------------------------------|-------------------|
| | Humility of Mary Housing, Inc. and Subsidiary | Humility of Mary Shelter, Inc.. | Combined Total |
| United Way of the Quad Cities Area | \$ 44,842 | \$ 57,685 | \$ 102,527 |
| City of Davenport | 33,407 | - | 33,407 |
| | \$ 78,249 | \$ 57,685 | \$ 135,934 |

**HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.
Notes to Financial Statements
June 30, 2017 and 2016**

Note 8 -Donated Services and Materials

Humility of Mary Housing, Inc. and Humility of Mary Shelter, Inc. receive donated services and materials related to the Organizations' mission from volunteers and the general public. The donated services received were not specialized in nature, and thus are not recorded in the combined financial statements. For the years ended June 30, 2017 and 2016, donated materials related to the Organizations' mission were received and recorded in the combined financial statements with an estimated value of \$232,455 and \$127,432, respectively.

~~**Note 9—Concentration of Revenue**~~

The Organizations receive a significant portion of their revenue from the U.S. Department of Housing and Urban Development ("HUD"). During the year ended June 30, 2016, HUD eliminated the Organizations' funding for Service Coordination through Collaboration for Transitional Housing which was \$397,173 for the year ended June 30, 2016. During the year ended June 30, 2017, HUD eliminated the Organizations' funding for Service Coordination through Collaboration Supportive Services Only which was \$200,309 for the year ended June 30, 2016. Total grant revenue received from HUD was \$331,355 (14% of total support) and \$610,408 (19% of total support) for the years ended June 30, 2017 and 2016, respectively.

Note 10 – Retirement Plan

The Organizations have a defined contribution (SIMPLE) retirement plan covering all employees who meet the eligibility requirements. The Organizations make a matching contribution of 2% of gross employee wages. Matching contributions totaled \$10,429 and \$16,659 for the years ended June 30, 2017 and 2016, respectively.

Note 11 – Plan for Future Merger

Management is in the planning process of merging the three Organizations listed in Note 1. The merger is expected be finalized and effective as of July 1, 2018.

**HUMILITY OF MARY HOUSING, INC. AND SUBSIDIARY
HUMILITY OF MARY SHELTER, INC.**
Davenport, Iowa

Internal Auditors Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statement
Performed In Accordance with *Government Auditing Standards*

Schedule of Findings and Responses



CPAs and Advisors

Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Board of Directors of
Humility of Mary Shelter, Inc.
Davenport, Iowa

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 Humility of Mary Shelter, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Humility of Mary Shelter, Inc.' 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as 2017-001, 2017-002, and 2017-003 that we consider to be material weaknesses.

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| | | | | | | | | |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|
| Burlington | Cedar Rapids | Centerville | Fairfield | Mt. Pleasant | Muscotine | Oskaloosa | Pella | West Des Moines |
| 319.336.9877 | 319.393.2374 | 641.457.4296 | 641.472.6174 | 319.385.9718 | 563.264.2727 | 641.672.2523 | 641.628.3411 | 515.677.3500 |

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of 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.

TD&T CPAs and Advisors, P.C.

Cedar Rapids, Iowa
December 21, 2017

HUMILITY OF MARY SHELTER, INC.
Schedule of Findings and Responses
Year Ended June 30, 2017

Part I: Summary of independent auditors' results:

1. An unmodified opinion was issued on the financial statements.
2. The audit of the financial statements uncovered three material weaknesses in internal control over financial reporting. No significant deficiencies were detected. However, material weaknesses or significant deficiencies may exist that have not been uncovered.
3. The audit did not disclose any non-compliance that is material to the financial statements.

Part II: Finding(s) related to the financial statements

(a) Material weaknesses in internal control over financial reporting

Auditing Finding 2017-001: Segregation of Duties

Criteria and Condition: Management is responsible for establishing and maintaining effective internal controls over financial reporting. One person performs most of the accounting duties in the Organizations. We noted the same person can initiate, authorize, record, and process substantially all transactions.

Context: Generally, the accounting duties of authorization, custody, and recording should be assigned to different individuals within an Organization. When these duties are not segregated, internal control deficiencies often exist. The lack of segregation of duties affects all transactions of the Organizations.

Effect: Many of the controls that are in place are ineffective as a result of the improper segregation of duties. As a result, the Organizations are susceptible of misappropriation of assets or fraudulent or inaccurate financial reporting.

Recommendations: We understand proper segregation of duties can be difficult in a smaller organization, however, we suggest management take steps to identify areas where duties could be separated between personnel.

Views of Responsible Officials and Planned Corrective Actions: Management and staff will continue to work to develop procedures for increased review and supervision of accounting functions within the Organizations.

HUMILITY OF MARY SHELTER, INC.
Schedule of Findings and Responses
Year Ended June 30, 2017

Auditing Finding 2017-002: Material Audit Adjustments

Criteria and Condition: Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. During our audit, we noted management did not properly record the adjustments necessary for the financial statements to be presented in accordance with U.S. GAAP. We identified adjustments to accounts receivable, payables and accruals, revenue, and expenses.

Context: The audit entries recorded were material to the financial statements, and resulted in a significant impact-on-the-change-in-net-assets.

Effect: Material misstatement in the financial statements due to error or fraud could occur and not be prevented or detected and corrected in a timely manner.

Recommendations: We suggest management institute processes for end of year close to ensure necessary entries are made and accounts are reconciled.

Views of Responsible Officials and Planned Corrective Actions: Management and staff will continue to work to develop year-end closing procedures to reconcile and review accounts.

Auditing Finding 2017-003: Accounts Receivable and Revenue Procedures

Criteria and Condition: Management is responsible for tracking and reconciling accounts receivable and revenue. During our audit, we noted the accounts receivable aging contained many balances over 120 days old, duplicate items, and credit balances. As a result, accounts receivable and revenue balances were misstated.

Context: The audit entries recorded to reconcile accounts receivable were material to the financial statements, and resulted in a significant impact on the change in net assets.

Effect: Material misstatement in the financial statements due to error or fraud could occur and not be prevented or detected and corrected in a timely manner.

Recommendations: We suggest management take steps to remove old, duplicate, and credit balances and reconcile accounts receivable regularly (such as monthly or quarterly). Implementing this change will assist with accurate reporting at year-end.

Views of Responsible Officials and Planned Corrective Actions: Management and staff will continue to work to develop procedures to properly track and report accounts receivable and revenue.