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:	Willis Dady Homeless Services				
Project Name:	Willis Dady Rapid Rehousing				
Type of Project (Permanent Supportive Housing, Rapid Rehousing, Joint Transitional Housing & Rapid Rehousing, DV Bonus Rapid Re-Housing, or DV Bonus Joint TH-RRH)	Rapid Rehousing				
Project Name:	Willis Dady Rapid Rehousing				
Anticipated Renewal Amount:	150,000				
Address:	Street: 1247 4th Ave SE		City: Cedar Rapids		Zip: 52403
Primary Contact (w/Email & Phone):	Phoebe Trepp director@willisdady.org 319-362-7555				
Secondary Contact (w/Email & Phone):	Pat Ford bookkeeper@willisdady.org 319-362-7555				
Is your agency currently registered in the Federal System for Award Management?:		**Circle or Enter**: Yes	DUNS #: 806859187		

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		

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
Alicia Faust, Martha Carter	Linn (Benton, Jones)	3/21/2018
Alicia Faust, Emily Zimmon	Linn (Benton, Jones)	8/1/2018
Alicia Faust, Emily Zimmon	Linn (Benton, Jones)	8/8/2018

Self-Score (up to 3)	CoC Score (up to 3)	Scoring Notes
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:
Phoebe Trepp	8/4/2017	yes
Phoebe Trepp	3/20/2018	
Phoebe Trepp	5/18/2018	

Self-Score (up to 1)	CoC Score (up to 1)	Scoring Notes
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
Phoebe Trepp	Coordinated Entry	7/11/2017
Phoebe Trepp	Coordinated Entry	4/17/2018
Phoebe Trepp	Coordinated Entry	6/19/2018

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

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)
2017 or 2018 HUD Peer-to-Peer Symposium; Symposium planning meeting or 2017 HousingIowa Conference		Alicia Faust, Martha Carter, Ashley
Local Unsheltered 2018 Point-in-Time Street Count	County/ies: Linn	Jade Riley

Self-Score (up to 2)	CoC Score (up to 2)	Scoring Notes
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)

Willis Dady's mission is to solve homelessness while providing shelter and support services. In our 31 years of operation, the agency has grown broadly and deeply to increase effectiveness, to accommodate the changing needs of our clients and to fill gaps in the community.

Emergency shelter for men and families is paired with a structured case management program offering the delicate balance of positive coaching and accountability.

Our work in Homeless Prevention has rapidly grown in its 5 years of operation. In 2017, we worked with 349 households. Our Prevention work led to Street Outreach. For the first time, people experiencing homelessness who are unable to enter the shelter system have access to housing services.

Willis Daday also is moving into Permanent Supportive Housing. By October 2018, we will open Welborn House, a home we purchased through the Housing Fund for Linn County. It will provide 6 units of PSH. Also in October 2018, we will begin case management for 5 PSH units in the Crestwood Ridge apartments (a CommonBond set-aside project in Cedar Rapids). In 2019, we will provide an 4 additional PSH units through Willis Dady's own facility expansion project.

In 2018 we started our own Rapid Rehousing with case management, thanks to an ESG grant, further expanding the range of solutions available to our clients. Our staff is trained and experienced in how to administer this type of service.

This application seeks to expand our current RRH program with additional dollars from the CoC. RRH is an effective means to quickly bring stability to households leaving homelessness by hastening their return to housing and providing support to ensure transition to stability.

Our staff has a diverse set of skills and abilities and are able to work successfully across programs.

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

6 **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)

Willis Dady's diverse budget is comprised of funding from federal, state and local governments as well as private funds.

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

Federal funds: HUD through the Emergency Solutions Grant program administered by IFA; HUD through CDBG funds administered through the City of Cedar Rapids; FEMA through the Emergency Food and Shelter Program funds administered by Linn County. State funds: SAF program in 2015, 2014 and years prior. Local government funds: Linn County IA to support overflow shelter in 2015 and 2016. City of Cedar Rapids funds to support the Community Overfow Weather Shelter System. Private funds: We've received United Way support every year since 1991. The Greater Cedar Rapids Community Foundation has supported us for many years, including recent dollars to fund our homeless prevention program. Individual donations are a constant source of support over our 31 year history. We have gained new corporate partners in the last two years. We ran a successful $3 million capital campaign that is introducing us and our mission to new donors whom we are working to convert to operations donors. Two signature fundraising events are growing in attendance, raising funds as well as increasing awareness of our agency's mission. Willis Dady now emloys a full-time Director of Development whose job is to identify and cultivate new sources of funding and well as to steward and deepen existing relationships.	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)

	Self-Score (up to 10)	CoC Score (up to 10)	Scoring Notes
Five employees have supervisory roles. Our part-time bookkeeper expands to more hours as needed. Our entire staff meets monthly for training, planning and organizational updates. Program staff and internal committees meet internally at additional times, at a minimum of weekly. An improved internal data management system has facilitated improved access to shared			

documents and other information. The RRH program manager reports directly to the Executive Director. She is trained in trauma-informed care, housing first, motivational interviewing, SOAR certification and case management experience. The RRH manager meets regularly with other agency case management staff to work through case-specific barriers. Depending on future funding, if we are able to have 2 RRH case managers we may select one as the program lead. The RRH case manager is trained in trauma-informed care, housing first, motivational interviewing, and will have other supplementary skills such as SOAR certification and case management experience. We will perform landlord outreach, create referral relationships, conduct housing inspections, and carry out all RRH services. We do not intend to subcontract any of the services. Our RRH case manager will meet weekly with our other agency case management staff to work through case specific barriers. Willis Dady's 15 member board of directors meets monthly. Board members represent diverse sectors of the community and provide expertise in government, facilities, law, operations, finance,	10		

8 **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)

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

Linn County has the second largest homeless population in the state of Iowa. There are three RRH programs. One is at Waypoint, one is veteran-specific administered by HACAP and the third is recently added by our agency. Willis Dady provides the most nights of emergency shelter in Linn County. In 2017, we served 447 clients with 10,293 nights of shelter. Since starting our RRH program in January, we've improved efficiency in getting our clients into housing because we don't have the administrative delays of working with another agency. In the past, there were delays between intake and start of an RRH application, as appointments must be made and clients must travel to another agency. Our case manager works a flexible schedule -- arriving early or staying late, coming in on weekends -- to meet with clients who have work obligations during the week days. She immediately begins an application after conducting the VI-SPDAT. A County-City project to review the issues related to unstable housing (published in 2017) found that our community has "limited supportive services that cannot keep pace with demand...." Our centralized intake system has been using VI-SPDAT scores for over a year, with 74 families and 175 singles qualifying for RRH last year. With in-house RRH, our staff are able to enroll clients much more quickly. This includes serving clients through Homeless Prevention as well as those we meet at the Overflow Shelter and through Street Outreach -- populations who typically do not enter shelter or seek other services. In this way we are solving homelessness for people who otherwise would not have access to housing services.	10		

9 Financial Capacity: (2 points for yes; must attach letter)

	Circle or enter:	Self-Score (0 or 2)	CoC Score (0 or 2)	Scoring Notes
Does your agency undergo annual audits by a CPA?	Yes	2		

Attach letter from your most recent audit.

10 Administration Costs: (2 points if 7.0% or less)

		Self-Score (up to 2)	CoC Score (up to 2)	Scoring Notes
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?	**5%**	2		

b) Briefly describe your agency's financial staffing and capacity: (up to 5 points)

	Self Score (up to 5)	Self Score (up to 5)	
Our Chief Financial Officer is an experienced, licensed CPA who establishes our agency's financial procedures, generates all agency financial documents and statements and ensures adherence to all internal controls relating to the preparation of documents. She reviews our financial records in detail each month, and prepares a report about our accounts and budgets to date. Financial reports are reviewed by our treasurer and the full board at monthly meetings. We employ a .5 FTE bookkeeper who follows a set of financial procedures to perform our weekly accounting, including preparing payroll, issuing payments to vendors, producing invoices and reconciling bank accounts. We use QuickBooks to manage our financial accounting. Willis Dady consistently meets all financial and management requirements of the United Way, as well as local, state and other partners.	5		

PROJECT DESIGN (23 points, *questions 11-14*)

11 Project Type: (10 points)

	Self-Score (0 or 10)	CoC Score (0 or 10)	Scoring Notes
Mark one: Rapid Rehousing project that serve individuals and families, including unaccompanied youth who meet the criteria outlined in HUD's 2018 NOFA (10 points)	10		

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)

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

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

	Self-Score (Up to 5)	Self-Score (Up to 5)	Scoring Notes
a. Briefly describe how clients will be assisted with obtaining and remaining in permanent housing:			

	Self-Score	CoC Score	
We'll select clients for RRH based on our region's Prioritization List as dictated by ICH policies and our regional selection process. The case manager will apply the Housing First model to help all households find and maintain permanent housing, as the primary goal of the RRH program. Services will include: housing search and housing placement (based on client choice of location and eligibility, type, cost, etc.), landlord mediation, applying for rentals, landlord interview preparation, assisting clients in viewing possible rentals, and assisting households in resolving housing crises. Once housed, the focus is to help them stay housed, by networking with other services and goods as needed. This could include helping households find essential items (i.e. beds), using motivational interviewing to help with a job search, referral for legal assistance and networking with legal aid, benefit applications, establishing and maintaining health care services, and help accessing substance abuse treatment and mental health services as needed. Employment services includes helping with resume review, finding interview clothes, application assistance, and mock interviews when needed. We have a supply of interview clothes and supplies that we give out. Education, child care, rentWISE skill development, credit repair, debt reduction, and budgeting skills are all examples of services that may be provided depending on the needs and wishes of the household. Regarding housing search and placement, clients are the expert on their own housing needs. We do not rely on every participant to identify their own housing, as this is a case-by-case need that the case manager will identify. Ultimately the household can decide which housing they wish to obtain, and has the right to refuse housing for whatever reason they identify.	5		

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

		Self-Score (up to 3)	CoC Score (up to 3)	
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	3		

PROJECT EVALUATION PLAN (5 points, *question 15*)

15

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

		Self-Score (0 to 5)	CoC Score (0 to 5)	Scoring Notes
a. Number of participants to be served in project year.	Number: 40-50 households			
Justify estimated number, citing previous history and other relevant factors, including local homeless data. While we typically serve over 300 households at shelter, not all of our clients are eligible or interested in enrolling in RRH. We will attempt to provide RRH to all those who are eligible based on their VI-SPDAT score and ability to contact them (if they leave shelter to live on the streets or in other homeless situations), as funding allows. There were 175 individuals and 74 families in our region who qualified based on VI-SPDATs last year, so this would assist a large portion of those households in future years.		5		
b. Estimate the percentage of all adult participants who increased <u>total income</u> (earned AND non-employment) from entry to exit:	45%			
c. Estimate the percentage of successful exits:	75%			
d. Percentage of all participant leavers who exit to shelter, streets or unknown:	25%			

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)

Item	CoC	Match
Rental Assistance	65,625	
Other Financial Assistance	41,875	17,250
Case Mgt/Support Services	35,000	17,000
HMIS Costs		1,750
Project Administration	7,500	1,500
TOTAL	150,000	37,500

Self Score (Up to 14)	CoC Score (Up to 14)	Scoring Notes
14		

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.

XXXXXXXXPrimary Contact — Date: 8/15/18

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 <u>ONE PDF</u> by 11:59 pm Wednesday August 15, 2018 to amber.lewis@iowa.gov.**

Lisa Williams

From: J`nae Peterman <jpeterman@waypointservices.org>
Sent: Wednesday, August 15, 2018 2:57 PM
To: Phoebe Trepp
Cc: Lisa Williams
Subject: Regional CE meeting attendance

Willis Dady has attended the following regional coordinated entry meetings:

9-20-17	12-27-17	4-4-18	7-11-18
9-27-17	1-3-18	4-11-18	7-17-18
10-4-17	1-10-18	4-18-18	7-25-18
10-11-17	1-17-18	4-25-18	8-1-18
10-18-17	1-24-18	5-2-18	8-8-18
10-25-17	1-31-18	5-9-18	8-17-18
11-1-17	2-7-18	5-16-18	
11-8-17	2-14-18	5-23-18	
11-15-17	2-21-18	5-30-18	
11-22-17	2-28-18	6-6-18	
11-29-17	3-7-18	6-13-18	
12-6-17	3-14-18	6-20-18	
12-13-17	3-21-18	6-27-18	
12-20-17	3-28-18	7-3-18	

Thank you,

J'nae Peterman

Director of Homeless & Housing Services

WAYPOINT

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www.waypointservices.org • www.kidspointchildcare.org

Willis Dady
Prevention & Shelter

Willis Dady Emergency Shelter, Inc.
1247 4th Ave SE
Cedar Rapids, IA 52403

United Way
United Way
of East Central Iowa

Willis Dady Termination of Assistance Policy

Approved by Board of Directors June 26, 2017

If a household violates a program requirement, the situation will be evaluated by a program manager (case manager, shelter manager, or executive director) to determine if services need to be terminated, or if other accommodations can be made to continue providing services. Our programs differ in their requirements, so some of our services may be able to continue despite program violations (such as our Outreach program), while others have more stringent requirements (such as our Emergency Shelter program).

If it is decided by program management staff that a household is not able to continue with services, they will be informed in writing of the decision and the date for final termination of services. In these cases, our staff will make every attempt to refer or assist the household with accessing other services that may help them meet their needs. Clients will be informed at entry of the grievance policy and may request a grievance review at any point, including a grievance related to termination of services. See the grievance policy for full description of this process.

All Willis Dady programs are voluntary such that a household can choose to decline or withdraw from services at any time.

Emergency Shelter program grounds for termination include violating program policies, which are intended to keep the shelter a safe and productive environment for all shelter residents. In most cases a policy violation will result in a written warning. However, the following behaviors will result in immediate termination of emergency shelter:

- Violence or threats of violence to anyone on the shelter grounds (other clients, staff, volunteers)
- Intentional destruction of property
- Breaking and entering shelter property (this can include entering areas that are off bounds, such as a single man entering a locked family unit without staff, which is prohibited)
- Bringing or selling alcohol or drugs on shelter property
- Illegal activity (such as prostitution, dissembling stolen goods, etc.)
- Not remaining in shelter for multiple consecutive nights (multiple "no call/no shows" or exceeding the allowed number of "nights out")

Rapid Re-Housing program grounds for termination include violating program policies, though most policy violations will be addressed through a written warning prior to termination of services. However, the following extreme behaviors may result in immediate termination of RRH services:

- Violence or threats of violence to RRH staff or volunteers, or other conditions that make it unsafe for RRH program staff to meet with the household
- Providing fraudulent information such that the RRH staff is not able to assist the household within the legal requirements of the program

- Continual refusal to provide necessary information to determine the amount or type of assistance that is needed, or to determine the household's eligibility

If a household is terminated from the RRH program, they will receive written notice with the reasons for termination, and if they appeal the decision, they will receive notice of the final decision within 5 business days.

Outreach program services are intended to meet the needs of people who may be unwilling or unable to receive shelter or other services. This program aims to build relationships and assist clients with accessing stable housing in whatever timeframe or situation the household is most willing and comfortable. In some cases we may need to review termination of services, though there are no behaviors that would result in immediate termination. A decision to terminate Outreach services will be limited to the safety of our staff, volunteers, and the clients we serve.

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

Management
Willis Dady Emergency Shelter, Inc.
Cedar Rapids, Iowa

In planning and performing our audit of the financial statements of Willis Dady Emergency Shelter, Inc. (the Organization) as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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.

However, during our audit we became aware of other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations and to communicate some emerging issues impacting the Organization in the future. Our comments and suggestions regarding those matters are summarized below. A separate communication dated April 19, 2018, contains our written communication of material weaknesses in the Organization's internal control. This letter does not affect our communication dated April 19, 2018.

INTERNAL CONTROLS

Revenue reconciliation

It was noted during our review of the internal controls over revenue recognition that a reconciliation between the general ledger and donor database is not performed on total contribution revenue. It is being performed for the capital campaign revenue. We recommend the Organization implement a practice of reconciling the recorded revenue with the information obtained from the donor database to ensure that all amounts received were properly recorded in the financials. The frequency of these reconciliations should be decided by management. This reconciliation should be reviewed and documented.

> Management's response. We discussed this with the audit team while they were on-site. We are currently reviewing the reconciliation procedure to be used. It is our plan to implement this practice in 2018.

Executive director expense reimbursements

It was noted during our review of the internal controls over expense reimbursements that the reimbursement paid in December 2017 to the executive director covered expenses from February through December 2017. We recommend the Organization implement a policy to review, approve, and pay expense reimbursements on a more frequent, periodic basis (monthly or quarterly) to ensure the accuracy and appropriateness of expense reimbursements.

Management's response. We agree with the auditors that there was an expense reimbursement to the executive director covering expenses from February 2017 through December 2017. However, it is important to note that the reimbursement was less than $450 and was the only reimbursement made to the executive director for 2017 expenses. More than half of the reimbursement was for expenses in the last quarter of the year. The reimbursement was approved by the President. If the reimbursements to the executive director become material and more frequent, we will ask for the reimbursements to be submitted on a quarterly basis.

Quickbooks access controls

It was noted during our review of the internal controls over the accounting system that the executive director has full access rights to Quickbooks while also being an authorized signer on the bank accounts and the individual approving transactions. We recommend the executive director have view only access to the accounting system so that duties and access rights are adequately segregated.

Management's response. The executive director currently is the administrator for QuickBooks and has the log-in credentials for this user name. This user in QuickBooks can not be limited to view/read only. With the small staff at the Organization, we would prefer the executive director continue as the administrator of the software. We believe we have compensating controls in place to review all transactions and bank accounts as part of the month-end financial statement process by the independent CFO and the Board Treasurer.

Credit card controls

It was noted during our review of the internal controls over credit cards that the executive director's card is shared and used by various staff. We recommend the Organization establish a policy outlining rules and procedures for use of the card to prevent inappropriate expenditures or activity. We also noted that there is no documentation of review of credit card transactions for either the shelter manager or executive director's credit card statements. We recommend the Organization implement a policy of obtaining documentation of review and approval of credit card transactions on a monthly basis, and that approval flow upward in the chain of command.

Management's response. While we agree with the observations of the auditors and will continue to evaluate credit card usage, we believe we have adequate controls in place to minimize risk of unauthorized credit card use. Our preference is to minimize the risk exposure by limiting the number of credit cards and authorization limit assigned to each card. The use of the cards by other staff is verbally approved before purchase and substantiated with a receipt turned in after the purchase. The Executive Director reviews the monthly credit card statement and approves all purchases at the time of payment. In addition, all transactions are reviewed as part of the month-end financial statement process by the independent CFO and the Board Treasurer and significant budget variances are addressed.

EMERGING ISSUES

FASB ASU 2016-14 Nonprofit Financial Reporting Checklist

Change is on the horizon for nonprofits in the form of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities.* Released in August 2016, ASU 2016-14 will result in significant changes to financial reporting and disclosures, leaving some wondering how to begin revamping their processes, procedures, and fundamental approach to financial reporting.

CliftonLarsonAllen LLP 's Presentation of Financial Statements for Not-for-Profit Entities Checklist offers resources to explain, simplify, and streamline the steps your organization needs to take to meet the implementation deadline of December 31, 2018. In a clear, easy-to-follow checklist format you are prompted to answer questions, create a timeline, and provide special instructions for yourself and others. The document can be copied and shared across your organization. Detailed checklist sections cover:

- General implementation guidelines
- Net assets and endowments
- Underwater endowment funds
- Reporting of expenses by nature and function
- Liquidity
- Investment return
- Measure of operations
- Statement of cash flows

Linked within each section are glossary terms and multiple examples of a statement of financial position, statement of activities, functional expenses, liquidity disclosures, and net assets and endowment disclosures.

Tax reform implications for exempt Organization employers and employees

On December 22, President Donald Trump signed the most significant tax reform legislation in more than 30 years. While the overhaul has wide-ranging implications throughout American business and society, numerous provisions will affect tax-exempt organizations, including public charities, social welfare organizations, colleges and universities, nonprofit health care organizations, associations, and private foundations.

Key provisions for tax-exempt organizations

- **Potential impact on contributions:** Perhaps the greatest uncertainty for many charitable organizations is the potential impact on contribution revenue as a result of the increase in the standard deduction and the lowering of tax rates. The Urban-Brookings Tax Policy Center estimates that, while only 26% of taxpayers itemized their deductions in 2017, those taxpayers were responsible for 82% of charitable giving.

Under the 2017 Tax Act, charitable donations may decrease to the extent that donors are motivated by tax incentives. For example, the standard deduction for married taxpayers filing a joint return increases from $12,700 in 2017 to $24,000 in 2018. The Tax Policy Center estimates that the number of taxpayers who file itemized deductions could drop by almost 40 million by 2019.

- **Estate tax exclusion:** After December 31, 2017, the estate tax exclusion doubles from $5.6 million to $11.2 million, adjusted for inflation. Combined with reductions in individual tax rates, charitable giving may be of decreased importance for estate planning purposes.
- **Limits on deduction for contributions:** For tax years after December 31, 2017, the deduction for contributions of cash to public charities and certain other organizations is limited to 60% of the individual donor's adjusted gross income (AGI). Such contributions were previously limited to 50% of AGI. The 20, 30, and 50% limitations applicable to other donations are unaffected by the new law.
- **Change in corporate tax rate:** Changes in the corporate tax rate will apply to unrelated business income (UBI). Previously, the rate was only 15% on the first $50,000 of taxable income, and it gradually increased to 35%. Under the new law, UBI is subject to a flat rate of 21%. Nonprofit organizations with net taxable income below approximately $91,000 will experience a tax increase rather than a decrease. For example, a nonprofit reporting $50,000 of net taxable income will see its tax liability increase from $7,500 to $10,500, while an organization reporting $91,000 of net taxable income will see its tax liability decrease from $19,190 to $19,110. The change in tax rates does not apply to tax-exempt organizations established as a trust.
- **Separate reporting of taxable income:** For tax years beginning after December 31, 2017, nonprofit organizations that report income from more than one unrelated trade or business must compute the net taxable income from each activity separately. Losses from one activity cannot be used to reduce taxable income from another activity. However, the $1,000 specific deduction applies to the combined net income of the organization's activities, not to each activity separately. Organizations should exercise care when calculating quarterly estimated payments and extension payments.
- **Changes in rules for net operating losses:** Net operating losses (NOL) generated in tax years beginning before January 1, 2018, may continue to be applied against any UBI, subject to the 20-year carry-forward limitation. However, NOLs generated in tax years beginning after December 31, 2017:
    - May not be carried back to prior years;
    - May be carried forward indefinitely;
    - May only be applied against the same unrelated activity that generated them; and

- May only be used to offset 80% of taxable income.

  For example, an organization has a net loss on its periodical advertising of $10,000 (Form 990-T Schedule J) and net income of $5,000 from rental income from debt-financed property (Form 990-T, Schedule E). Previously, the organization would report an NOL of $5,000 that could be carried forward 20 years and applied against any type of UBI activity. Under the new law, the organization will report $5,000 of taxable UBI and an NOL of $10,000 that can be carried forward indefinitely, but that can only be applied against net income from periodical advertising.

- **An end to certain employer deductions:** Certain fringe benefits are no longer deductible by employers, including commuter transportation, mass transit passes, parking facilities, and onsite athletic facilities (gym, pool, tennis court, golf course, etc.). Tax-exempt organizations that provide such benefits must report the expenditure as UBI unless the benefit is directly connected with a taxable activity already included on Form 990-T. The Treasury Department is expected to issue regulations regarding the appropriate calculation. Note that such benefits are still excludible from the employee's income.

- **New rules for bike-riding employees:** Bicycle commuting benefits are still deductible by the employer, but they are now included in the taxable income of the employee. Therefore, such an expenditure is not reported as UBI.

- **Contemporaneous written acknowledgement of contributions:** A donor wishing to deduct a charitable contribution of $250 or more must obtain a contemporaneous written acknowledgement from the organization receiving the donation. Previously, if the donor failed to retain a copy of the acknowledgement, the donor could attempt to substantiate the donation using the donee's Form 990 Schedule B. For tax years beginning after December 31, 2016, no such exception is acceptable.

- **Interest on current refunding bonds:** Tax-exempt bonds, including qualified 501(c)(3) bonds, are appealing to investors because the interest is excludible from taxable income. A refunding bond is issued to pay principal or interest, or redemption price on a prior bond. A current refunding bond redeems the prior bond within 90 days, whereas an advance-refunding bond is issued more than 90 days prior to the redemption of the prior bond. Advance refunding bonds effectively allowed two sets of federally subsidized debt in connection with a single activity. Under the new tax law, interest on current refunding bonds remains excludible from taxable income, but interest on advance refunding bonds issued after December 31, 2017, is not.

- **Repeal of authority to issue tax credit bonds:** The holder of a tax credit bond receives federal tax credits instead of interest. Certain tax credit bonds are direct-pay bonds, which allow the issuer to receive a payment directly from the Internal Revenue Service instead of providing the bondholder with a tax credit. After December 31, 2017, the authority to issue tax-credit bonds and the provision for direct-pay bonds is repealed (e.g., forestry conservation, clean renewable energy, energy conservation, zone academy, and school construction). Bonds issued prior to January 1, 2018, are still subject to the previous rules.

- **Excise tax on large endowments:** In an effort to address private educational institutions where the size of the endowment is out of proportion with the educational mission, the new tax law imposes a 1.4% excise tax on the net investment income of private colleges and universities with at least 500 students, of which more than 50% are in the United States, and with noncharitable use assets equal to at least $500,000 per full-time equivalent student. The assets and income of related organizations that are available for the use or benefit of the educational institution, including supporting organizations described in Internal Revenue Code (IRC) section 509(a)(3), are combined for purposes of this excise tax.
- **No deduction for athletic tickets:** Prior to January 1, 2018, a donor who made a contribution that included the right to buy athletic tickets was entitled to a charitable contribution deduction equal to 80% of the payment. After December 31, 2017, no charitable deduction is allowed for such a payment. The disallowance is based on the right to purchase the tickets, regardless of whether the tickets would have been readily available anyway, or whether the individual actually purchased the tickets.
- **New executive compensation rules:** Tax-exempt employers will be subject to a 21% excise tax on compensation in excess of $1 million, including commissions and bonuses, to any covered employee for tax years beginning after December 31, 2017. Compensation does not include Roth elective deferrals but does include 457(f) deferred compensation, including amounts vested even if not received yet. Compensation also includes nonqualified deferred compensation when there is no substantial risk of forfeiture. The excise tax does not cover compensation paid to licensed medical professionals (including veterinarians) in exchange for medical services performed.

  Covered employees are the CEO, CFO, and the next three highest-paid employees. Compensation paid to a person who meets the definition of covered employee for a tax year beginning after December 31, 2016, will continue to be subject to the excise tax, even if the employee no longer meets the definition of a covered employee otherwise, for as long as they are their beneficiaries receive compensation. The excise tax is in addition to and independent of the rebuttable presumption of reasonableness standard, and the prohibition on private inurement imposed on certain tax-exempt organizations. If an individual receives compensation from more than one employer, then the excise tax on excessive compensation is calculated proportionately among them.
- **Excise tax on parachute payments:** A 21% excise tax is imposed on excess parachute payments, defined as a severance payment, including transfer of property, to any highly compensated employee, that is greater than three times the individual's average salary for the previous five years. Highly compensated employees include 5% owners at any time during the previous year, and employees who received compensation exceeding $120,000 in 2018 (adjusted for inflation). Parachute payments do not include amounts paid to annuity contracts under 403(b) or 457(b), or amounts paid to licensed medical professionals (including veterinarians) in exchange for medical services performed. Compensation is treated as paid when there is not a substantial risk of forfeiture. Deferred compensation and increases in its value under a 457(f) plan are subject to this excise tax when vested, even if not received.

Key provisions for employers

- **Temporary family and medical leave:** The tax overhaul creates a paid family and medical leave credit for tax years beginning after December 31, 2017, and before January 1, 2020. The employer must provide at least two weeks (but not more than 12 weeks) of paid leave providing at least 50% of normal wages. Leave mandated or paid for by a state or local government does not count for purposes of the credit. The employee must have been employed for at least one year, and the employee's prior year compensation cannot exceed $72,000 (adjusted for inflation). The credit ranges from 12.5% if the employer pays the employee 50% of wages, up to 25% for 100% of wages.

- **Treatment of employee loans from retirement plans:** Employee loans from a qualified retirement plan are generally not treated as taxable distributions. However, if the individual's employment is terminated, the unpaid loan balance is treated as a taxable distribution unless it is repaid or rolled over to another plan. Previously, a tax-free rollover had to occur within 60 days , but for tax years beginning after December 31, 2017, the rollover must occur before the extended due date of the individual's tax return for the year employment was terminated.

- **Exclusion of awards from taxable income:** Employee achievement awards for such things as length of service or safety records that are awarded as part of a meaningful presentation, can be excluded from the employee's taxable income as long as they are not disguised compensation. The excludible amount is limited to $400 per person ($1,600 if there is a written plan that doesn't discriminate in favor of highly compensated employees). For amounts paid after December 31, 2017, the excludible award cannot be made in cash, cash equivalents, gift cards, gift coupons, gift certificates (other than arrangements conferring only the right to select and receive tangible personal property from a limited array of such items pre-selected or pre-approved by the employer), vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds, or other securities. Such awards can be included in compensation as taxable fringe benefits and are subject to payroll tax.

- **End to employer entertainment deduction:** Expenditures for entertainment, amusement, or recreation, including club dues paid on behalf of employees, are no longer deductible by the employer even if used for business purposes. Previously, the employer could deduct club dues as salary expense as long as the employee included the amount in taxable compensation. Since nonprofit organizations do not generally receive a tax deduction for salary expense, they would generally treat the mission-related portion of club dues as a working condition fringe and exclude them from the employee's compensation. With the complete elimination of the deduction for social club dues, nonprofit organizations should begin to include such benefits in the employee's taxable compensation.

- **Onsite eating facilities:** Expenses incurred after December 31, 2017, for providing food and beverages to employees at on onsite eating facility that qualifies as a *de minimis* fringe benefit, will be limited to 50%, although employees may continue to exclude the entire amount from taxable income.

- **Repeal of ACA individual mandate:** For months beginning after December 31, 2018, the individual mandate of the Affordable Care Act is repealed, resulting in no penalty on individuals who elect not to obtain health insurance coverage. However, the employer mandate remains in effect, requiring that employers with 50 or more full-time employee equivalents must offer ACA-compliant insurance. Employees may still be subject to individual mandates imposed by certain states, such as California.
- **Substantiation of business use of cars, computers, and entertainment:** Certain employer-provided items, such as cars, entertainment and recreational property, and computers and peripherals used outside of the office, have the potential for personal use. Employers much substantiate the amount of business usage of such listed property. For property placed in service after December 31, 2017, computers and peripherals are no longer subject to the substantiation requirements.
- **End of alimony payment deduction:** Alimony payments were formerly deductible by the payor and included in the taxable income of the recipient. For alimony agreements executed after December 31, 2018, the payments are nondeductible by the payor and excluded from the taxable income of the recipient.
- **Increase in Section 179 expensing:** IRC Section 179 allows organizations to expense the cost of certain property rather than capitalizing and depreciating it. The maximum amount is increased from $510,000 for tax years beginning before January 1, 2018, (with dollar-for-dollar reductions if property placed in service exceeds $2.03 million) to $1 million for tax years beginning after December 31, 2017 (with dollar-for-dollar reductions if property placed in service exceeds $2.5 million).
- **No deduction for moving expenses:** Unreimbursed moving expenses are no longer deductible by the employee. Reimbursed moving expenses will now be taxable to the employee. There is an exception for active-duty members of the Armed Forces who must move pursuant to military orders.
- **Elementary and secondary schools now eligible for 529 plans:** Nondeductible cash contributions can be made to a qualified tuition program, known as a 529 plan, and accumulate tax-free earnings to be used for qualified higher education expenses. Distributions are not taxable to the beneficiary. Starting with distributions made after December 31, 2017, eligible educational institutions include elementary and secondary schools.

Proposed changes that were not implemented

- The flat 1.4% excise tax rate on investment income of private foundations was removed from the final bill. The current tiered system, with brackets of 1% and 2%, remains in effect.
- The so-called Johnson Amendment remains in place, prohibiting 501(c)(3) organizations from engaging in political intervention.
- The provision to tax royalty income from the licensing of trademarks was eliminated.
- Most provisions for employee tuition benefits remain unchanged, including:

- Employers may deduct $5,250 of tuition assistance per year per employee in pursuit of a degree. The employee may exclude the benefit from taxable compensation (IRC section 127).
- Education that maintains or improves existing job skills to allow employee to remain in current position are a tax-free working condition fringe (IRC section 132(d).
- Scholarship programs remain unchanged (IRC section 117).

How we can help

Contact our nonprofit tax professionals for timely information, analysis, and guidance on all matters related to new financial landscape created by tax reform.

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Management's written responses to the comments above have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various entity personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the board of directors, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

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Cedar Rapids, Iowa
April 19, 2018