

**HOMES WITH HOPE, INC.**

**COMBINED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED  
DECEMBER 31, 2016 AND 2015**

# HOMES WITH HOPE, INC.

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# HOMES WITH HOPE, INC.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Homes with Hope, Inc.**

### *Report on the Financial Statements*

We have audited the accompanying combined statements of financial position of Homes with Hope, Inc. as of December 31, 2016 and 2015, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

### ***Opinion***

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

### ***Other Matters***

#### ***Report on Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The schedule of details of combined revenues on page 28 is presented for purposes of additional analysis and is not a required part of the combined financial statements. The accompanying supplementary data information shown on pages 29 through 38 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office, and is not a required part of the combined financial statements. The accompanying supplementary data information shown on pages 39 through 45 is presented for purposes of additional analysis as required by the Connecticut Housing Finance Authority, and is not a required part of the combined financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

### ***Other Information***

The Managing Agent and Mortgagor Certifications on pages 56 and 57, and pages 69 to 70, respectively, have not been subjected to the auditing procedures applied in the audit of the combined financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated April 7, 2017 on our consideration of Homes with Hope, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide and opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Homes with Hope, Inc.'s internal control over financial reporting and compliance.

*Marcum LLP*

New Haven, CT  
April 7, 2017

# HOMES WITH HOPE, INC.

## COMBINED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,077,522	\$ 586,677
Accounts receivable	9,633	14,929
Grants receivable	38,005	65,187
Prepaid expenses	18,163	12,213
<b>Total Current Assets</b>	<u>1,143,323</u>	<u>679,006</u>
<b>Assets Limited As To Use</b>		
Cash and cash equivalents	105,372	2,368
Board designated investments	488,176	415,633
<b>Total Assets Limited As To Use</b>	<u>593,548</u>	<u>418,001</u>
<b>Property, Equipment and Leasehold Improvements</b>		
Land and buildings	4,383,660	4,375,210
Furniture and equipment	185,651	167,101
Leasehold improvements	781,764	729,164
	5,351,075	5,271,475
Less accumulated depreciation and amortization	<u>1,847,821</u>	<u>1,676,892</u>
<b>Total Property, Equipment and Leasehold Improvements</b>	<u>3,503,254</u>	<u>3,594,583</u>
<b>Other Assets</b>		
Replacement and operating reserves	234,751	209,732
Tenants deposits held in trust	2,303	2,303
<b>Total Other Assets</b>	<u>237,054</u>	<u>212,035</u>
	<u>\$ 5,477,179</u>	<u>\$ 4,903,625</u>

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

# HOMES WITH HOPE, INC.

## COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2016 AND 2015

	2016	2015
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 24,252	\$ 23,122
Accounts payable	42,990	9,184
Accrued payroll and related withholdings	51,081	15,669
Refundable advances	65,103	52,842
Funds held for residents	1,752	1,752
<b>Total Current Liabilities</b>	<u>185,178</u>	<u>102,569</u>
<b>Long-Term Debt</b>		
Commercial mortgages, net of current portion	417,054	441,091
CHFA mortgage	1,914,576	1,850,526
<b>Total Long-Term Debt</b>	<u>2,331,630</u>	<u>2,291,617</u>
<b>Other Liabilities</b>		
Security deposits	17,049	13,868
<b>Total Liabilities</b>	<u>2,533,857</u>	<u>2,408,054</u>
<b>Net Assets</b>		
Unrestricted	1,578,328	1,130,577
Temporarily restricted	1,259,055	1,259,055
Permanently restricted	105,939	105,939
<b>Total Net Assets</b>	<u>2,943,322</u>	<u>2,495,571</u>
	<u>\$ 5,477,179</u>	<u>\$ 4,903,625</u>

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



# HOMES WITH HOPE, INC.

## COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Year ended December 31, 2016				Year ended December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues</b>								
Contributions and fundraising	\$ 1,195,101	\$ --	\$ --	\$ 1,195,101	\$ 1,112,916	\$ --	\$ --	\$ 1,112,916
Contributed use of facilities, goods and services	819,823	--	--	819,823	791,464	--	--	791,464
Grants	779,550	--	--	779,550	707,817	--	--	707,817
Rental income	359,121	--	--	359,121	322,158	--	--	322,158
Fees	44,880	--	--	44,880	45,940	--	--	45,940
Investment (loss) income	29,296	--	--	29,296	(9,800)	--	--	(9,800)
	<u>3,227,771</u>	<u>--</u>	<u>--</u>	<u>3,227,771</u>	<u>2,970,495</u>	<u>--</u>	<u>--</u>	<u>2,970,495</u>
<b>Expenses</b>								
Program	2,649,856	--	--	2,649,856	2,336,103	--	--	2,336,103
General and administrative	271,709	--	--	271,709	375,250	--	--	375,250
Fundraising costs	287,654	--	--	287,654	319,502	--	--	319,502
	<u>3,209,219</u>	<u>--</u>	<u>--</u>	<u>3,209,219</u>	<u>3,030,855</u>	<u>--</u>	<u>--</u>	<u>3,030,855</u>
<b>Change in Net Assets from Operations</b>	18,552	--	--	18,552	(60,360)	--	--	(60,360)
<b>Other Change in Net Assets</b>								
Transfer of assets - contribution agreement	429,199	--	--	429,199	--	--	--	--
<b>Net Assets - Beginning</b>	<u>1,130,577</u>	<u>1,259,055</u>	<u>105,939</u>	<u>2,495,571</u>	<u>1,190,937</u>	<u>1,259,055</u>	<u>105,939</u>	<u>2,555,931</u>
<b>Net Assets - Ending</b>	<u>\$ 1,578,328</u>	<u>\$ 1,259,055</u>	<u>\$ 105,939</u>	<u>\$ 2,943,322</u>	<u>\$ 1,130,577</u>	<u>\$ 1,259,055</u>	<u>\$ 105,939</u>	<u>\$ 2,495,571</u>

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

# HOMES WITH HOPE, INC.

## COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Year ended December 31, 2016				Year ended December 31, 2015			
	Program Expense	General and Administrative	Fundraising Costs	Total	Program Expense	General and Administrative	Fundraising Costs	Total
Payroll and related expenses	\$ 1,012,450	\$ 134,120	\$ 154,305	\$ 1,300,875	\$ 757,996	\$ 252,665	\$ 193,069	\$ 1,203,730
Depreciation and amortization	158,741	12,188	--	170,929	159,720	11,175	--	170,895
Direct fundraising expenses	--	--	113,334	113,334	--	--	103,706	103,706
Space occupancy	136,275	--	--	136,275	130,048	--	--	130,048
Interest expense	93,370	--	--	93,370	93,052	--	--	93,052
Professional fees and contracted services	104,595	62,710	--	167,305	105,849	57,655	--	163,504
Repairs and maintenance	114,723	--	--	114,723	124,788	--	--	124,788
Office expense	41,635	13,880	11,709	67,224	49,436	16,478	9,054	74,968
Insurance	33,638	11,213	--	44,851	43,668	14,556	--	58,224
Shelter and other program related services	93,409	--	--	93,409	52,964	--	--	52,964
Postage and delivery	--	2,055	8,306	10,361	--	2,689	13,673	16,362
Other operating expenses	25,255	12,403	--	37,658	21,694	1,554	--	23,248
Travel	11,562	3,855	--	15,417	6,248	2,083	--	8,331
Food purchases	8,041	--	--	8,041	5,312	--	--	5,312
Internet and telephone	8,466	2,822	--	11,288	5,012	1,670	--	6,682
Memberships and subscriptions	2,955	1,380	--	4,335	2,439	1,138	--	3,577
Contributed facilities	305,324	--	--	305,324	301,406	--	--	301,406
Contributed food, clothing and other	468,301	--	--	468,301	455,449	--	--	455,449
Contributed professional fees and contracted services	31,116	15,083	--	46,199	21,022	13,587	--	34,609
	<u>\$ 2,649,856</u>	<u>\$ 271,709</u>	<u>\$ 287,654</u>	<u>\$ 3,209,219</u>	<u>\$ 2,336,103</u>	<u>\$ 375,250</u>	<u>\$ 319,502</u>	<u>\$ 3,030,855</u>

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

# HOMES WITH HOPE, INC.

## COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 18,552	\$ (60,360)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	170,929	170,895
Interest accrued on CHFA note	65,826	65,826
Net realized and unrealized (gain) loss on investments	(12,511)	26,825
Changes in assets and liabilities:		
Grants receivable	27,182	(62,186)
Accounts receivable	5,296	(4,929)
Prepaid expenses	(5,950)	4,817
Accounts payable	33,806	(41,295)
Accrued payroll and related withholdings	35,412	6,582
Refundable advances	12,261	24,317
Funds held for residents	--	125
Security deposits	3,181	(10,327)
<b>Net Cash Provided by Operating Activities</b>	<u>353,984</u>	<u>120,290</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(76,197)	(186,133)
Proceeds from sale of investments	16,165	142,195
Cash received from contribution agreement	374,649	--
Deposits to replacement and operating reserves	(25,019)	(88,599)
Purchases of equipment and leasehold improvements	(25,050)	(22,014)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>264,548</u>	<u>(154,551)</u>
<b>Cash Flows from Financing Activities</b>		
Repayment of long-term debt	(24,683)	(270,870)
<b>Net Cash Used in Financing Activities</b>	<u>(24,683)</u>	<u>(270,870)</u>
<b>Net Change in Cash and Cash Equivalents</b>	593,849	(305,131)
<b>Cash and Cash Equivalents - Beginning</b>	<u>589,045</u>	<u>894,176</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 1,182,894</u>	<u>\$ 589,045</u>

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

# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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#### NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

##### *NATURE OF OPERATIONS*

The combined financial statements include the accounts of Homes with Hope, Inc. (HWH) and IHA, Inc., (IHA), collectively known as the “Association.” Both HWH and IHA are organized as non-profit corporations under the laws of the State of Connecticut to provide food and shelter for the homeless. IHA operates and administers an independent living facility for persons with mental disabilities and is subsidized by the U.S. Department of Housing and Urban Development (HUD) facilities and programs.

The Association operates various facilities and programs as follows:

- The Gillespie Center and Hoskins Place are located on Jesup Road in Westport and provide food and emergency shelter to homeless men and women. Residents are provided with referral services to help them obtain permanent housing, employment, financial assistance, and to help them overcome substance abuse.
- The Bacharach Community is located on Wassell Lane in Westport and provides emergency shelter for homeless women who have children. Residents are provided with referral services to help them obtain permanent housing, employment, financial assistance, and to help them overcome substance abuse.
- The Linxweiler House is located on the Post Road in Westport and provides emergency shelter for homeless women who have children. Residents are provided with referral services to help them obtain permanent housing, employment, financial assistance, and to help them overcome substance abuse.
- Women’s Mentoring Initiative (WMI) provides mentoring for women in the community who are at risk of becoming homeless.
- The Powell Place Apartments at Saugatuck Avenue (IHA) provide eight units of Permanent Supportive Housing (PSH) for the formerly homeless mentally ill.
- The Westport Rotary Centennial House (WRCH) is located on 10 West End Avenue in Westport and provides six units of PSH for the formerly homeless mentally ill.
- The Community Kitchen is the Association’s original program. It provides three meals daily, 365 days per year, at no cost, to anyone who comes to the Gillespie Center at mealtime. The Food Pantry also provides two grocery bags of nonperishable food per week to any individual or family who asks.
- HWH provides case management and client support services to tenant/clients at the Fair Street Apartments in Norwalk (7 units), the Hales Court Apartments in Westport (10 units) and Sasco Creek Village in Westport (6 units).
- 86 Saugatuck Avenue property was purchased at the end of 2011 and became operational in June 2012. It provides PSH for one family.
- 1 Hayes Avenue, Norwalk property was purchased July 2014, providing two units of PSH.

# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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#### NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *TRANSFER OF ASSETS – CONTRIBUTION AGREEMENT*

In October 2016, HWH entered into a Contribution Agreement (the Agreement) with Project Return, Inc., a not-for-profit organization with a location on Compo Road in Westport, CT that provides emergency shelter for young women in crisis.

In accordance with the Agreement, Project Return contributed substantially all of its assets to HWH, which included cash and investments totaling \$374,649, furniture, fixtures, and leasehold improvements recognized at a fair value of \$54,550, and certain other assets used in or relating to Project Return programs and activities. As part of the Agreement, HWH assumed the obligations and duties for performance under a lease agreement for the Compo Road location.

##### *SIGNIFICANT ACCOUNTING POLICIES*

##### *BASIS OF PRESENTATION*

The combined financial statements of the Association are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned and expenses when the related liability for goods or services is incurred, regardless of the timing of cash flows.

To ensure observance of limitations and restrictions that may be placed on the use of resources available, the accounts of the Association are maintained in the following asset categories:

*Unrestricted* – Unrestricted net assets represent available resources other than donor restricted contributions. Included in unrestricted net assets are grants and contracts which are earmarked for specific purposes.

*Temporarily Restricted* – Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or as to time of expenditure.

*Permanently Restricted* – Permanently restricted net assets represent contributions that are limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association.

# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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#### NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *USE OF ESTIMATES*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. These estimates include assessing the collectability of accounts receivable and the useful lives of long-lived assets. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### *FAIR VALUE OF FINANCIAL INSTRUMENTS*

The carrying amount of the Association's financial instruments classified as current assets and current liabilities (cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and debt) approximates fair value. The fair values of other financial instruments are disclosed in their respective notes.

##### *CASH AND CASH EQUIVALENTS*

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less when purchased. The Association has deposits in financial institutions that insure deposits up to \$250,000 per depositor through the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of FDIC coverage are not insured and thereby represent a credit risk to the Association. As of December 31, 2016 and 2015, the Association had uninsured deposits totaling approximately \$223,000 and \$183,000, respectively. The Association has suffered no losses in connection with its banking activities.

##### *ASSETS LIMITED AS TO USE*

Assets that have limited use include assets permanently restricted by donors and assets set aside by the Board of Directors. The Board designated investments are overseen by the Finance Committee of the Board of Directors. In 2011, the Board of Directors approved a formal Investment Policy/Strategy and the appointment of an investment management firm. Investment policy indicates that prior to reaching \$250,000 the funds were to be invested in instruments with little or no risk. At the \$250,000 threshold, investment policy indicates that income from the funds can be made available to HWH for its ongoing operations and that the committee can determine whether to seek active and professional administration of the funds.

The Board designated cash and cash equivalents represent surplus cash relating to the CHFA-financed WRCH program.

# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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#### NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *INVESTMENTS AND INVESTMENT INCOME*

Investments are measured at fair value in the combined statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income (including realized and unrealized gains and losses on investments, interest and dividend income) is included in the combined statements of activities and changes in net assets unless restricted by donor or law. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

##### *GRANTS*

The Association recognizes as support, funds from grants as costs are incurred and specified activities are performed. Receivables are recognized to the extent costs have been incurred but not reimbursed. Conversely, liabilities are recognized when grant advances exceed costs incurred (refundable advances).

##### *FEES*

Fees billed are recognized in the period the services are performed.

##### *ACCOUNTS AND CONTRIBUTIONS RECEIVABLE*

Receivables from third-party payors, clients and donors are stated at the amount management expects to collect from outstanding balances. The Association provides for losses on receivables using the allowance method. The allowance is based on experience, specific review of outstanding balances, and other circumstances that may affect the client or donor's ability to meet their obligations. Receivables are considered impaired if payments are not received in accordance with the pledge terms. It is the Association's policy to charge off uncollectible contributions receivable when management determines the receivable will not be collected. As of December 31, 2016 and 2015, the Association had no allowances for doubtful accounts.

# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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#### NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *CONTRIBUTIONS AND DONOR RESTRICTED GIFTS*

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is awarded or received. Conditional promises to give and indications of intentions to give are reported at fair value only when the conditions on which they depend are substantially met and the promises become unconditional. The gifts are reported as either temporarily or permanently 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 as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. When long-lived assets are placed in service, thus satisfying purpose restrictions, the amount is included as a change in net assets, restricted and unrestricted. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

##### *PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS*

Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Maintenance and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the combined statements of activities and changes in net assets for the respective period. Depreciation and amortization expense, totaling \$170,929 in 2016 and \$170,895 in 2015, is computed using the straight-line method over the estimated useful lives of the assets, which range from five to thirty nine years. Leasehold improvements are carried at cost and amortized over the shorter of their useful lives or the term of the lease, including anticipated lease renewal options.

The Association continually evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of its long-lived assets or whether the remaining balance of its long-lived assets should be evaluated for possible impairment. If and when such factors, events or circumstances indicate that long-lived assets should be evaluated for possible impairment, the Association will determine the fair value of the asset by making an estimate of expected future cash flows over the remaining lives of the respective assets and compare that fair value with the carrying value of the assets in measuring their recoverability. In determining the expected future cash flows, the assets will be grouped at the lowest levels for which there are cash flows.



# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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#### NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *DONATED ITEMS*

Donated furniture and equipment are reported as contributions at their estimated fair values at date of receipt. The estimated fair value of contributed food and the estimated fair rental value of the facilities used by the Association are recognized both as revenue and expense in the combined statements of activities and changes in net assets.

##### *EXPENSE ALLOCATION*

The costs of providing programs and other activities have been summarized on a functional basis in the combined statements of activities and changes in net assets and in the combined statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### *INCOME TAX STATUS*

HWH and IHA were incorporated under the laws of the State of Connecticut and serve the public within the meaning of charitable, educational organizations as defined by Section 501(c)(3) of the Internal Revenue Code (the Code). As such HWH and IHA are exempt from state and federal income taxes pursuant to Section 509(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. HWH and IHA are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

##### *SUBSEQUENT EVENTS*

The Association has evaluated subsequent events through April 7, 2017, which is the date these combined financial statements were available to be issued. All subsequent events requiring recognition or disclosure as of December 31, 2016, have been incorporated into these financial statements.

# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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#### NOTE 2 – CONTRIBUTED USE OF FACILITIES, GOODS, AND SERVICES

##### *CONTRIBUTED USE OF FACILITIES AND GOODS*

The Association operates shelter and residential facilities from properties that are donated by the Town of Westport. The Gillespie Center/Hoskins Place, and the Linxweiler House operate in properties that are owned by the Town of Westport. The Gillespie Center/Hoskins Place and Linxweiler House are leased at one dollar per year and will expire in November 2019.

The Bacharach Community housing on Wassell Lane is leased for one dollar per year. The Wassell Lane Corporation has approved a lease extension through June 2018 with three options to renew for additional 5 year terms. The Association is responsible for all maintenance and insurance of the occupied facilities.

The Association receives contributions of food and clothing that are provided to residents and others in need without charge.

The fair value of the contributed facilities, food and clothing for the years ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Contributed use of facilities	\$ 305,324	\$ 301,406
Contributed food, clothing and other	<u>468,301</u>	<u>455,449</u>
	<u>\$ 773,625</u>	<u>\$ 756,855</u>

Those amounts have been recognized in the statements of activities and changes in net assets as both revenues and expenses.

##### *CONTRIBUTED SERVICES*

The Association receives contributions of legal and other contracted services from individuals who regularly provide such services for compensation. All of the legal services and contracted services are provided as a contribution.

# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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#### NOTE 2 – CONTRIBUTED USE OF FACILITIES, GOODS, AND SERVICES (CONTINUED)

##### *CONTRIBUTED SERVICES (CONTINUED)*

The fair value of those services for the years ended December 31 is as follows:

	2016	2015
Contributed legal services	\$ 25,000	\$ 5,000
Contributed contract services	<u>21,198</u>	<u>29,609</u>
	<u>\$ 46,198</u>	<u>\$ 34,609</u>

Those amounts have been recognized in the statements of activities and changes in net assets as both revenues and expenses because they meet the recognition criteria of services that the Association would have otherwise had to pay for.

Many people, including present and past board members, have contributed a significant amount of time to the activities of the Association without compensation. The financial statements do not reflect the value of those contributed services because those services do not meet the criteria for recognition.

#### NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

During the year ended December 31, 2000, the Association received proceeds from a capital advance totaling \$840,000 issued by the Department of Housing and Urban Development (HUD), used to acquire the Saugatuck Avenue apartments. As a condition to this advance, the Association is required to continue the use of the housing for eligible families until the maturity date of the advance, which ends June 30, 2041, or repay the entire amount of the advance plus interest at 6.25 percent.

During the year ended December 31, 2004, the Association received proceeds from a grant totaling \$321,525 issued by HUD for the purpose of acquiring residential housing. During the year ended December 31, 2008, the Association received an additional amount of \$97,530 from HUD as part of the same grant. As a condition of this grant, the Association is required to continue use of the residential housing for a 20 year period ending July 2024.

Management believes it will comply with the HUD requirements.

# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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#### NOTE 4 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of contributions for an endowment. The management of the funds are overseen by the Finance Committee and are commingled with the assets limited as to use. Income earned on these funds is available for the general operating purposes of the Association, as outlined in the Association's investment policy.

#### *UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT*

As required by accounting principles generally accepted in the United States of America (USGAAP), net assets, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Connecticut adopted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2007. In the absence of authoritative guidance on the application of Connecticut's UPMIFA to donor-restricted funds, the Association interprets UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Any remaining portion of the donor-restricted funds that is not classified in permanently restricted net assets would be classified as temporarily restricted net assets until those amounts are appropriated for expenditure, or recorded as unrestricted support, by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. These deficiencies, which would be reported in unrestricted net assets, can result from unfavorable market fluctuations.

# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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#### NOTE 5 – LONG-TERM DEBT (CONTINUED)

Long-term debt consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Commercial real estate mortgage payable to a bank, due in monthly installments of \$1,436 including interest at 5.24 percent, through November 2031, collateralized by land and building located at 86 Saugatuck Avenue, Westport Connecticut.	\$ 177,252	\$ 184,823
Commercial real estate mortgage payable to a bank, due in monthly installments of \$2,282 including interest at 4.35 percent, through July 2024, collateralized by land and building located at 1 Hayes Avenue, Norwalk, CT.	264,054	279,390
4% mortgage payable to the Connecticut Housing Finance Authority (CHFA), collateralized by land and building located at 10 West End Avenue, Westport, CT (WRCH).	<u>1,914,576</u>	<u>1,850,526</u>
	2,355,882	2,314,739
Less current portion	<u>24,252</u>	<u>23,122</u>
Long-term portion	<u>\$ 2,331,630</u>	<u>\$ 2,291,617</u>

#### ***CHFA MORTGAGE***

The mortgage payable to CHFA was made for the purpose of constructing an apartment building for low income/permanent, supportive housing tenants. In December 2010, the construction phase was completed and the mortgage was converted to permanent financing with no payments due. Interest will accrue at 4 percent through the life of the loan. No payments of interest or principal are due during the term of the mortgage loan until maturity, except for annual payments of interest and/or principal from surplus cash (as defined in the Regulatory Agreement) and except upon an event of default as defined in the mortgage agreement. Surplus cash as determined on an annual basis will be applied proportionately at the discretion of CHFA to accrued interest and/or principal (75 percent) and to the operating reserve (25 percent).

# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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#### NOTE 5 – LONG-TERM DEBT (CONTINUED)

The mortgage loan matures upon the earlier of (i) the date of the occurrence of a Capital Transaction (the sale, assignment, refinance or a transfer of the property, including a substantial change in ownership of the Association) or (ii) the date which is thirty (30) years from the commencement of the permanent term of the mortgage loan. At maturity, the entire unpaid principal balance of the mortgage loan, together with all accrued interest, shall be fully due and payable, provided, however that if (i) the maturity occurs thirty (30) years from the date of commencement of the permanent term of the mortgage loan, and (ii) the mortgagor agrees at such time pursuant to an amendment of the mortgage that for an additional period of time of thirty (30) year from maturity the mortgagor shall (a) have the development continue to participate in the Next Steps Program and/or (b) maintain the development as affordable housing at levels and upon terms and conditions satisfactory to CHFA, and/or (c) utilize the development for other purposes upon terms and conditions acceptable to CHFA then, in any of such events, the mortgage loan, including principal, accrued interest and any other indebtedness due shall be forgiven. The balance at December 31, 2016 and 2015 on the CHFA mortgage was \$1,914,576 and \$1,850,526, respectively, including accumulated accrued interest of \$268,915 and \$204,865, respectively.

In 2015, the Association was notified by CHFA that based on the review of the 2013 annual financial statements, surplus cash of \$282,370 had been identified. Accordingly, seventy five percent of that amount, or \$211,778, was applied to accrued interest. The remaining \$70,592 was deposited into the operating reserve.

In 2015, the Association was notified by CHFA that based on the review of the 2014 annual financial statements, surplus cash of \$49,544 had been identified. Accordingly, seventy five percent of that amount, or \$37,158, was applied to accrued interest. The remaining \$12,386 was deposited into the operating reserve.

In 2016, the Association was notified by CHFA that based on the review of the 2015 annual financial statements, surplus cash of \$2,368 had been identified. Accordingly, seventy five percent of that amount, or \$1,776, was applied to accrued interest. The remaining \$592 was deposited into the operating reserve.

# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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#### NOTE 5 – LONG-TERM DEBT (CONTINUED)

Annual maturities of the Association's long-term debt over each of the next five years and thereafter are as follows:

2016	\$	24,252
2017		25,410
2018		26,623
2019		27,870
2020		29,225
Thereafter		<u>2,222,502</u>
	\$	<u>2,355,882</u>

# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

#### NOTE 6 – GRANTS

A summary of grants for the years ended December 31, 2016 and 2015 is as follows:

Grantor	Grant Period	Grant Amount	2016		Grant Revenue
			Grant Receivable	Refundable Advances	
Department of Housing	07/01/15 - 06/30/16	\$ 166,649	\$ --	\$ --	\$ 83,324
Department of Housing	07/01/16 - 06/30/17	157,067	--	--	78,534
Department of Mental Health and Addiction Services	07/01/13 - 06/30/14	246,186	--	15,032	--
Department of Mental Health and Addiction Services	07/01/15 - 06/30/16	364,586	--	--	182,293
Department of Mental Health and Addiction Services	07/01/16 - 06/30/17	364,586	--	30,383	182,293
Supportive Housing Works - CT RRP contract	07/01/16 - 06/30/17	35,268	9,380	--	17,634
	07/01/15 - 06/30/16	37,519	--	--	18,760
New Reach, Inc. - Fairfield Housing First Collaborative	09/30/15 - 09/29/16	52,000	--	--	37,818
	09/30/16 - 09/29/17	52,000	13,000	--	13,000
Family & Children's Agency, In	07/01/15 - 06/30/16	25,000	--	--	12,500
Family & Children's Agency, In	07/01/16 - 06/30/17	25,000	12,500	--	12,500
Emergency Food and Shelter National Board Program	09/01/15 - 08/30/16	19,902	--	9,951	9,951
Town of Weston	07/01/15 - 06/30/16	14,853	--	1,237	6,189
Town of Weston	07/01/16 - 06/30/17	9,000	--	4,500	4,500
Town of Wilton	07/01/16 - 06/30/17	8,000	--	4,000	4,000
Town of Westport	07/01/15 - 06/30/16	12,500	--	--	6,250
Town of Westport	07/01/16 - 06/30/17	12,500	3,125	--	6,250
Other grants		103,754	--	--	103,754
			<u>\$ 38,005</u>	<u>\$ 65,103</u>	<u>\$ 779,550</u>



# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

#### NOTE 6 – GRANTS (CONTINUED)

Grantor	Grant Period	Grant Amount	2015		Grant Revenue
			Grant Receivable	Refundable Advances	
Department of Housing	07/01/14 - 06/30/15	\$ 165,588	\$ --	\$ --	\$ 82,794
Department of Housing	07/01/15 - 06/30/16	166,649	--	--	83,325
Department of Mental Health and Addiction Services	07/01/13 - 06/30/14	246,186	--	15,032	--
Department of Mental Health and Addiction Services	07/01/14 - 06/30/15	295,519	--	--	164,928
Department of Mental Health and Addiction Services	07/01/15 - 06/30/16	364,586	--	30,383	182,295
Supportive Housing Works - CT RRP contract	01/01/15 - 06/30/15	27,735	--	--	27,735
	07/01/15 - 06/30/16	37,519	9,380	--	18,759
New Reach, Inc. - Fairfield Housing First Collaborative	09/01/14 - 09/29/15	52,000	26,000	--	52,000
	09/30/15 - 09/29/16	52,000	14,182	--	14,182
Emergency Food and Shelter National Board Program	09/01/14 - 08/30/15	24,766	--	--	24,766
Town of Weston	07/01/15 - 06/30/16	14,853	--	7,427	7,426
Town of Wilton	01/01/15 - 12/31/15	8,000	--	--	8,000
Town of Westport	07/01/14 - 06/30/15	12,000	--	--	6,000
Town of Westport	07/01/15 - 06/30/16	12,500	3,125	--	6,250
Other grants		29,357	12,500	--	29,357
			\$ 65,187	\$ 52,842	\$ 707,817

# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

#### NOTE 7 – INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments are stated at fair value and consist of the following at December 31:

	2016		
	Cost	Fair Value	Excess (Deficiency) of Fair Value Over Cost
Short-term cash investments	\$ 28,925	\$ 28,925	\$ --
Corporate bonds	206,784	205,353	(1,431)
Equity securities	<u>220,271</u>	<u>253,898</u>	<u>33,627</u>
	<u>\$ 455,980</u>	<u>\$ 488,176</u>	<u>\$ 32,196</u>
	2015		
	Cost	Fair Value	Excess (Deficiency) of Fair Value Over Cost
Short-term cash investments	\$ 14,974	\$ 14,974	\$ --
Corporate bonds	190,090	177,510	(12,580)
Equity securities	<u>183,417</u>	<u>223,149</u>	<u>39,732</u>
	<u>\$ 388,481</u>	<u>\$ 415,633</u>	<u>\$ 27,152</u>

Investment return for the year ended December 31 is summarized as follows:

	2016	2015
Unrealized gain (loss)	\$ 5,044	\$ (22,072)
Realized gain (loss)	7,467	(4,753)
Interest and dividends	<u>16,785</u>	<u>17,025</u>
	<u>\$ 29,296</u>	<u>\$ (9,800)</u>

# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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#### NOTE 7 – INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

##### *FAIR VALUE MEASUREMENT*

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework 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 below:

- Level 1 – Inputs to the valuation methodology based on unadjusted quoted market prices in active markets that are accessible at the measurement date.
- Level 2 – Inputs to the valuation methodology that include quoted market prices that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level of the asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation techniques used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

- The Association values investments in equity securities that are freely traded and listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.
- The fair value of corporate bonds is estimated using recently executed transactions, market price quotations (where observable), bond spreads or other available data. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond swap spreads, and other available inputs. Corporate bonds are generally categorized in Level 2 of the fair value hierarchy.
- Short-term cash investments are valued at \$1 per share.

# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

#### NOTE 7 – INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents information about investments measured at fair value:

	December 31, 2016		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Short-term cash investments	\$ 28,925	\$ --	\$ 28,925
Corporate bonds	--	205,353	205,353
Equity securities	<u>253,898</u>	<u>--</u>	<u>253,898</u>
	<u>\$ 282,823</u>	<u>\$ 205,353</u>	<u>\$ 488,176</u>

  

	December 31, 2015		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Short-term cash investments	\$ 14,974	\$ --	\$ 14,974
Corporate bonds	--	177,510	177,510
Equity securities	<u>223,149</u>	<u>--</u>	<u>223,149</u>
	<u>\$ 238,123</u>	<u>\$ 177,510</u>	<u>\$ 415,633</u>

#### *RISKS AND UNCERTAINTIES*

The Association's investment securities are subject to exposure to various risks such as interest rate risk, financial market risk, and credit risk. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the value of investment securities reported in the Association's financial statements.

# HOMES WITH HOPE, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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#### **NOTE 8 – REPLACEMENT AND OPERATING RESERVES**

IHA's agreement with HUD (the Regulatory Agreement) requires IHA to make deposits into a reserve fund for property replacements. The deposits must be paid into a separate federally insured bank account in the name of the IHA and no distribution from the reserve fund shall be made without the prior written approval of HUD. Restricted deposits, which total \$55,785 and \$43,841 at December 31, 2016 and 2015, respectively, are held by a third-party trustee.

HWH's agreement with CHFA requires HWH to make deposits into a reserve fund for property replacements, and an escrow for property taxes and insurance. The deposits must be paid into a separate federally insured bank account in the name of the HWH and no distribution from the reserve fund shall be made without the prior written approval of CHFA. Restricted deposits, which total \$178,966 and \$166,251 at December 31, 2016 and 2015, respectively, are held by a third-party trustee.

#### **NOTE 9 – RESIDUAL RECEIPTS RESERVE**

The Regulatory Agreement requires that residual receipts, if any, realized from the operation of the mortgaged property be deposited into a residual receipts fund within sixty days after the end of each year. Residual receipts arise from any surplus cash from an annual calculation defined by HUD. The deposits must be paid into a separate federally insured bank account in the name of IHA. No distribution from such fund shall be made without the prior written approval of HUD. HUD has the authority to approve, modify or reject IHA's proposed usage of residual receipts. IHA was not required to deposit funds in 2016 or 2015 for the years 2015 and 2014, respectively.

#### **NOTE 10 – PROJECT RENTAL ASSISTANCE CONTRACT (IHA, INC., HUD PROJECT NO. 017-HD015)**

IHA receives rental subsidies under a Project Rental Assistance Contract (PRAC) with HUD. Under the terms of this contract, HUD's commitment to IHA, amounts recorded as rental income in the accompanying combined statements of activities and changes in net assets, were \$109,454 and \$95,357 for the years ended December 31, 2016 and 2015, respectively.

# **HOMES WITH HOPE, INC.**

## **NOTES TO COMBINED FINANCIAL STATEMENTS**

### **FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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#### **NOTE 11 – RESIDENTIAL ASSISTANCE PROGRAM**

HWH receives rental subsidies under a Residential Assistance Program contract with the State of Connecticut Department of Social Services. Rental income revenue from the contract, recorded in the accompanying combined statements of activities and changes in net assets, was \$128,898 and \$119,443 for the years ended December 31, 2016 and 2015, respectively.

#### **NOTE 12 – DISTRIBUTIONS**

IHA's regulatory agreement with HUD allows the Project to make distributions subject to certain provisions. For the year ended December 31, 2016 and 2015 there were no distributions made.

# HOMES WITH HOPE, INC.

## SCHEDULE I – DETAILS OF COMBINED REVENUES

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Individuals	\$ 915,463	\$ 800,599
Corporate and foundations	246,419	266,951
Religious organizations	<u>33,219</u>	<u>45,366</u>
<b>Total Contributions</b>	<b><u>\$ 1,195,101</u></b>	<b><u>\$ 1,112,916</u></b>
State of Connecticut - DOH	\$ 161,858	\$ 166,119
State of Connecticut - DMHAS	364,586	347,223
New Reach, Inc. - Fairfield Housing First Collaborative	78,000	66,282
Supportive Housing Works - CT RRP contract	36,394	46,494
Other grants	101,572	29,256
Emergency Food and Shelter Program	9,951	24,766
Town of Westport	12,500	12,250
Town of Weston	10,689	7,427
Town of Wilton	<u>4,000</u>	<u>8,000</u>
<b>Total Grants</b>	<b><u>\$ 779,550</u></b>	<b><u>\$ 707,817</u></b>
Facilities	\$ 305,324	\$ 301,406
Food, clothing and other	468,301	455,449
Legal services	25,000	5,000
Consulting services	<u>21,198</u>	<u>29,609</u>
<b>Donated Facilities, Goods and Services</b>	<b><u>\$ 819,823</u></b>	<b><u>\$ 791,464</u></b>
Gillespie Center and Hoskins Place	\$ 41,167	\$ 40,547
Linxweiler House	763	1,395
Bacharach Community	<u>2,950</u>	<u>3,998</u>
<b>Total Fees</b>	<b><u>\$ 44,880</u></b>	<b><u>\$ 45,940</u></b>

*See independent auditors' report.*

**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**BALANCE SHEET DATA**

**DECEMBER 31, 2016**

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<u>Account No.</u>		
	<b>Assets</b>	
	<b>Current Assets</b>	
1120	Cash - operations	\$ <u>7,125</u>
1130	Tenant/member accounts receivable	<u>4,411</u>
1130N	Net tenant accounts receivable	<u>4,411</u>
1200	Prepaid Expenses	<u>7,490</u>
1100T	<b>Total Current Assets</b>	<u>19,026</u>
1191	<b>Tenant Deposits Held in Trust</b>	<u>2,303</u>
	<b>Restricted Deposits</b>	
1320	Replacement reserve	<u>55,785</u>
1300T	<b>Total Restricted Deposits</b>	<u>55,785</u>
	<b>Fixed Assets</b>	
1420	Buildings	1,181,754
1490	Miscellaneous fixed assets	<u>309,638</u>
1400T	<b>Total Fixed Assets</b>	1,491,392
1495	<b>Accumulated Depreciation</b>	<u>(802,217)</u>
1400N	<b>Net Fixed Assets</b>	<u>689,175</u>
1000T	<b>Total Assets</b>	<u>\$ 766,289</u>



**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**BALANCE SHEET DATA (CONTINUED)**

**DECEMBER 31, 2016**

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Account No.		
	<b>Liabilities and Net Assets</b>	
	<b>Current Liabilities</b>	
2110	Accounts payable - operations	\$ 6,906
2113	Accounts payable - entity	<u>93,588</u>
2122T	<b>Total Current Liabilities</b>	<u>100,494</u>
2191	<b>Tenant Deposits Held in Trust</b>	<u>1,178</u>
2000T	<b>Total Liabilities</b>	<u>101,672</u>
3131	Unrestricted net assets	(175,383)
3132	Temporarily restricted net assets	<u>840,000</u>
3130	<b>Net Assets</b>	<u>664,617</u>
2033T	<b>Total Liabilities and Net Assets</b>	<u><u>\$ 766,289</u></u>

**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**PROFIT AND LOSS DATA**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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Account No.		
	<b>Revenues</b>	
5120	Rent revenue - gross potential	\$ 26,594
5121	Tenant assistance payments	<u>109,454</u>
5100T	<b>Total Rent Revenue</b>	136,048
5290	Vacancies	<u>2,687</u>
5152N	<b>Net Rental Revenue</b>	<u>133,361</u>
5440	Revenue from investments - replacement reserve	<u>4</u>
5400T	<b>Total Financial Revenue</b>	<u>4</u>
5910	Laundry and vending	<u>--</u>
5990	Miscellaneous Revenue (interest)	<u>44</u>
5900T	<b>Total Other Revenue</b>	<u>44</u>
5000T	<b>Total Revenue</b>	<u>133,409</u>
	<b>Expenses</b>	
	Administrative	
6311	Office expense	1,353
6320	Management fee	31,499
6350	Audit fees	9,250
6370	Bad debts	12,405
6390	Miscellaneous administrative expenses	<u>5,862</u>
6263T	<b>Total Administrative Expenses</b>	<u>60,369</u>

**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**PROFIT AND LOSS DATA (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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Account No.		
	Utilities	
6420	Fuel Oil/coal	\$ 4,058
6450	Electricity	18,385
6451	Water	3,284
6452	Gas	2,889
6453	Sewer Assessment	<u>3,081</u>
6400T	<b>Total Utilities Expense</b>	<u>31,697</u>
	Operating & Maintenance expense	
6515	Supplies	5,052
6520	Contracts	30,925
6525	Garbage and Trash Removal	560
6548	Snow Removal	<u>1,170</u>
6500T	<b>Total Operating &amp; Maintenance Expense</b>	<u>37,707</u>
	Taxes & Insurance	
6710	Real estate taxes	10,712
6720	Property & Liability Insurance	5,877
6790	Miscellaneous Taxes, Licenses, Permits and Insurance	<u>952</u>
6700T	<b>Total Taxes and Insurance</b>	<u>17,541</u>
6000T	<b>Total Cost of Operations Before Depreciation</b>	<u>147,314</u>
5060T	<b>Income Before Depreciation</b>	<u>(13,905)</u>
6600	<b>Depreciation Expenses</b>	<u>51,191</u>

**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**PROFIT AND LOSS DATA (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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<u>Account No.</u>		
3247	<b>Change in Unrestricted Net Assets from Operations</b>	\$ (65,096)
S1100-060	<b>Previous Year Unrestricted Net Assets</b>	<u>(110,287)</u>
3131	<b>Unrestricted Net Assets</b>	<u>(175,383)</u>
S1100-070	<b>Previous Year Temporarily Restricted Net Assets</b>	840,000
S1100-075	<b>Change in Temporarily Restricted Net Assets</b>	<u>--</u>
3132	<b>Temporarily Restricted Net Assets</b>	<u>840,000</u>
S1100-050	<b>Net Assets - Beginning of year</b>	729,713
3250	<b>Change in Total Net Assets</b>	<u>(65,096)</u>
3130	<b>Net Assets - End of year</b>	<u><u>\$ 664,617</u></u>

**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**STATEMENT OF CASH FLOWS DATA**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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Account No.		
	<b>Cash Flows from Operating Activities</b>	
S1200-010	Rental receipts	\$ 141,106
S1200-020	Interest receipts	4
S1200-030	Other operating receipts	<u>44</u>
S1200-040	Total receipts	<u>141,154</u>
S1200-050	Administrative	(57,565)
S1200-090	Utilities	(32,885)
S1200-110	Operating and maintenance	(37,707)
S1200-140	Property Insurance	(5,877)
S1200-160	Tenant security deposits	144
S1200-150	Miscellaneous taxes and insurance	<u>(11,664)</u>
S1200-230	Total disbursements	<u>(145,554)</u>
S1200-240	<b>Net Cash Used Operating Activities</b>	<u>(4,400)</u>
	<b>Cash Flows from Investing Activities</b>	
S1200-330	Purchases of property and equipment	(8,450)
S1200-250	Net deposits to replacement reserve	<u>(12,304)</u>
S1200-350	<b>Net Cash Used in Investing Activities</b>	<u>(20,754)</u>
	<b>Cash Flows from Financing Activities</b>	
S1200-450	Net advances from affiliate	<u>20,728</u>
	<b>Net Cash Provided by Financing Activities</b>	<u>20,728</u>
S1200-470	<b>Net Change in Cash</b>	(4,426)
S1200-480	<b>Cash - Beginning of period</b>	<u>11,551</u>
S1200T	<b>Cash - End of period</b>	<u><u>\$ 7,125</u></u>

**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**STATEMENT OF CASH FLOWS DATA (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

---

Account  
No.

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**Reconciliation of Net loss to Net Cash  
Provided Used in Activities**

3250	Net loss	\$ (65,096)
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**Adjustments to Reconcile Net Loss to Net Cash  
Provided by Operating Activities**

6600	Depreciation expense	51,191
S1200-490	Change in tenant accounts receivable	7,745
S1200-520	Change in prepaid expenses	(1,188)
S1200-540	Change in accounts payable	2,804
S1200-580	Change in tenant security deposits	<u>144</u>
S1200-610	<b>Net Cash Used in Operating Activities</b>	<u><u>\$ (4,400)</u></u>

**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**COMPUTATION OF SURPLUS CASH**

**DECEMBER 31, 2016**

---

Account  
No.

---

<b>Computation of Surplus Cash</b>		
S1300-010	Cash	\$ <u>9,428</u>
		<u>9,428</u>
	<b>Current Obligations</b>	
S1300-075	Accounts payable (due within 30 days)	6,906
S1300-110	Tenant security deposits	1,178
S1300-110	Accounts payable - entity	<u>93,588</u>
S1300-140	<b>Total Current Obligations</b>	<u>101,672</u>
S1300-150	<b>Surplus Cash (Deficiency)</b>	<u>\$ (92,244)</u>

**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Account No.		Beginning Balance	Additions	Deductions	Ending Balance
1420	Buildings	\$ 1,173,304	\$ --	\$ --	\$ 1,173,304
1490	Leasehold improvements	<u>309,638</u>	<u>8,450</u>	<u>--</u>	<u>318,088</u>
	Total	<u>1,482,942</u>	<u>8,450</u>	<u>--</u>	<u>1,491,392</u>
1495	Accumulated depreciation	<u>751,026</u>	<u>\$ 51,191</u>	<u>\$ --</u>	<u>802,217</u>
1400N	Net book value	<u>\$ 731,916</u>			<u>\$ 689,175</u>

Detail of Fixed Asset Additions and Deletions

Additions

1490	New Basement access	\$ 3,400
1490	Retaining Wall	2,500
1490	Repointing Chimney	1,400
1490	Handrails along sidewalks	<u>1,150</u>
		<u>\$ 8,450</u>



**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**SCHEDULE OF RESERVE FOR REPLACEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

---

Account  
No.

---

**Schedule of Reserve for Replacements**

1320P	Balance at beginning of year	\$ 43,481
1320DT	Total monthly deposits	12,300
1320WT	Approved withdrawals	--
1320INT	Other deposits - interest income	<u>4</u>
1320	Balance at end of year	<u><u>\$ 55,785</u></u>

**STATEMENT OF OPERATIONS**

**Connecticut Housing Finance Authority**  
Asset Management - Multifamily Housing

CHFA Form HM 6-50 (Rev. 12/2014)

Project Name: <u>Westport Rotary Centennial House</u>	Fiscal Year-End: <u>December 31, 2016</u>
CHFA Number: <u>06048S</u>	Beginning Date: <u>January 1, 2016</u>
HUD Number: <u>N/A</u>	Mortgagor: <u>Westport Rotary Centennial House</u>

Part I- P&L	Description of Account	HUD Acct. #	SHP Acct. #	Amount*	
Rental Income 5100	Rent Revenue- Gross Potential	5120		\$ 19,203	
	Tenant Assistance Payments (HAP Receipts)	5121		\$ 128,898	
	Tenant Assistance Payments (RAP Receipts)	5121.1		\$ -	
	Tenant Assistance Payments (ERAP Receipts)	5121.2		\$ -	
	Tenant Assistance Payments - Congregate	5121.3		\$ -	
	Rent Revenue- Stores & Commercial	5140		\$ -	
	Rent Revenue- Garage & Parking	5170	3300	\$ -	
	Flexible Subsidy Revenue	5180		\$ -	
	Miscellaneous Rent Revenue**	5190	3120 & 3300	\$ -	
	Excess Rent	5191	3100.1	\$ -	
	Excess Utilities	5191.1	3110	\$ -	
	Rent Revenue- Insurance	5192		\$ -	
	Special Claims Revenue	5193	3220	\$ -	
	Retained Excess Income	5194		\$ -	
	<b>Total Rent Revenue (GPI @ 100% Occupancy)</b>	<b>5100T</b>			
Vacancies 5200	Apartments- Vacancy	5220	3210	\$ 5,101	
	Stores & Commercial- Vacancy	5240		\$ -	
	Rental Concessions	5250		\$ -	
	Garage & Parking- Vacancy	5270		\$ -	
	Miscellaneous** (other vacancy)	5290		\$ -	
	<b>Total Vacancies</b>	<b>5200T</b>			
	<b>Net Rental Revenue Rent Revenue Less Vacancy</b>	<b>5125N</b>			\$ 143,000
	Elderly & Congregate Service Income (attach schedule)	5300		\$ -	\$ 0
Financial Revenue 5400	Financial Revenue - Project Operations	5410	3610	\$ 130	
	Revenue from Investments - Residual Receipts	5430		\$ -	
	Revenue from Investments - Replacement Reserves	5440		\$ 348	
	Revenue from Investments - Miscellaneous **	5490		\$ -	
	<b>Total Financial Revenue</b>	<b>5400T</b>			
Other Revenue 5900	Laundry & Vending Revenue	5910	3620	\$ -	
	Tenant Charges	5920		\$ -	
	Sales & Service to Tenants (including Cable TV fees)	5943	3510	\$ -	
	Interest Reduction Payments	5945		\$ -	
	Miscellaneous Revenue (Specify) **	5990		\$ -	
	<b>Total Other Revenue</b>	<b>5900T</b>			\$ 0
	<b>Total Revenue</b>	<b>5000T</b>			\$ 143,478
Administrative Expenses 6200/6300	Conventions & Meetings	6203	4153	\$ -	
	Management Consultants	6204		\$ -	
	Advertising & Marketing	6210		\$ -	
	Apartment Resale Expenses (Coops)	6235		\$ -	
	Other Renting Expenses	6250	4152	\$ 34	
	Office Salaries	6310	4120	\$ -	
	Salaries - RSC	6310.1		\$ -	
	Office Expenses	6311		\$ -	
	Office or Model Apartment Rent	6312		\$ -	
	Compensated Absences - Administrative Salaries	6313	4120.1	\$ -	
	Management Fee	6320	4132	\$ 27,017	
	Manager or Superintendent Salaries	6330		\$ -	
	Administrative Rent Free Unit	6331		\$ -	
	Legal Expense (Project)	6340	4130	\$ -	
	Audit Expense	6350		\$ 9,000	
	Bookkeeping Fees/Accounting Services	6351	4131	\$ 864	
	Bad Debts	6370	4820	\$ -	
	State Service Charge - Administrative	6380	4716	\$ -	
Miscellaneous Administrative Expenses **	6390		\$ 246		
	<b>Total Administrative Expenses</b>	<b>6263T</b>			\$ 37,161

Statement of Operations

Part I- Cont.

	Description of Account	HUD Acct. #	SHP Acct. #	Amount*	
Utilities Expenses 6400	Fuel Oil/ Coal	6420	4340	\$ -	
	Electricity	6450	4320	\$ 11,258	
	Water	6451	4310	\$ 3,789	
	Gas	6452	4330	\$ 3,954	
	Sewer	6453	4360	\$ -	
	Cable Television	6454	4350	\$ -	
	<b>Total Utilities Expense</b>	<b>6400T</b>			
Operating & Maintenance Expenses 6500	Payroll	6510	4410	\$ -	
	Compensated Absences - Maintenance Wages	6510.1	4410.1	\$ -	
	Supplies	6515	4420	\$ 120	
	Contracts	6520	4430	\$ 8,470	
	Operating & Maintenance Rent Free Unit	6521		\$ -	
	Garbage & Trash Removal	6525	4710	\$ 585	
	Security Payroll/ Contracts	6530		\$ -	
	Security Rent Free Unit	6531		\$ -	
	Heating/Cooling Repairs & Maintenance	6546		\$ -	
	Snow Removal	6548		\$ -	
	Vehicle & Maintenance Equip. Operation & Repair	6570	4440	\$ -	
	Miscellaneous Operating & Maintenance **	6590	6200	\$ 500	
	<b>Total Operating &amp; Maintenance Expenses</b>	<b>6500T</b>			
Taxes & Insurance 6700	Real Estate Tax	6710	4715	\$ -	
	Payroll Taxes (project share)	6711	4161	\$ -	
	Property & Liability Insurance	6720	4711	\$ 10,052	
	Fidelity Bond Insurance	6721		\$ -	
	Workmen's Compensation	6722		\$ -	
	Health Insurance & Other Benefits	6723	4160	\$ -	
	Misc. Taxes, Licenses, Permits & Insurance **	6790		\$ -	
	<b>Total Taxes &amp; Insurance</b>	<b>6700T</b>			
Financial Expenses 6800	Interest on Mortgage Payable	6820	4717	\$ 65,826	
	Interest on Capital Improvement Loan	6821		\$ -	
	Interest on Other Mortgages	6825		\$ -	
	Interest on Notes Payable (Long Term)	6830		\$ -	
	Interest on Notes Payable (Short Term)	6840		\$ -	
	Mortgage Insurance Premium/ Services Charges	6850		\$ -	
	Miscellaneous Financial Expenses **	6890		\$ -	
	<b>Total Financial Expenses</b>	<b>6800T</b>			
	Elderly & Congregate Services (attach schedule)	6900		\$ 0	
	<b>Total Cost of Operations before Depreciation</b>	<b>6000T</b>			\$ 141,715
	<b>Profit (Loss) before Depreciation</b>	<b>5060T</b>			\$ 1,763
	Depreciation Expenses	6600		\$ 66,929	
	Amortization Expense	6610		\$ -	
	<b>Total Depreciation &amp; Amortization Expense</b>				\$ 66,929
	<b>Operating Profit (Loss)</b>	<b>5060N</b>			\$ -65,166
Entity Expenses 7100	Officer's Salaries	7110		\$ -	
	Legal Expenses	7120		\$ -	
	Federal, State, and Other Income Taxes	7130		\$ -	
	Interest Income	7140		\$ -	
	Interest on Notes Payable	7141		\$ -	
	Interest on Mortgage Payable	7142		\$ -	
	Other Expenses	7190		\$ -	
	<b>Net Entity Expenses</b>	<b>7100T</b>			\$ 0
	<b>Net Profit (Loss)</b>	<b>3250</b>			\$ -65,166

\* All amounts must be rounded to the nearest dollar, \$.50 and over, round up, \$.49 and below, round down.

\*\* If miscellaneous or Other Income and Expense Accounts exceed the Account Groupings by 10% or more, attach a separate schedule describing or explaining the Income or Expense.

Statement of Operations  
Part II- Principal & Reserve

1	Total principal payments required under the mortgage in the audit year (12 monthly payments). This applies to all direct loans and HUD-held and fully insured mortgages. Any HUD approved second mortgages should be included in the figures.	\$	0
2	Replacement Reserve deposits required by the Regulatory Agreement or Amendments thereto, even if payments may be temporarily suspended or waived.	\$	3,156
3	Replacement or Painting Reserve releases which are included as expense items on the Income Statement.	\$	0
4	Project Improvement Reserve Releases under the Flexible Subsidy Program that are included as expense items on this Income Statement.	\$	0

Part III- Income & Expense Sub-Accounts

	Description of Account	HUD Acct. #	SHP Acct. #	Amount*	
Tenant Charges 5920	NSF & Late Charges	5915		\$ -	
	Damages & Cleaning Fees	5930		\$ -	
	Forfeited Tenant Security Deposits	5940		\$ -	
	<b>Tenant Charges</b>	5920			\$ 0
Office 6311	Office Supplies	6315	4151	\$ -	
	Telephone and Answering Service	6360		\$ -	
	<b>Office Expenses</b>	6311			\$ 0
Payroll 6510	Janitor and Cleaning Payroll	6511		\$ -	
	Grounds Payroll	6535		\$ -	
	Repairs Payroll	6540		\$ -	
	<b>Payroll</b>	6510			\$ 0
Supplies 6515	Janitor and Cleaning Supplies	6516		\$ 120	
	Exterminating Supplies	6522		\$ -	
	Ground Supplies	6536		\$ -	
	Repairs Material	6541		\$ -	
	Decorating Supplies	6561		\$ -	
	<b>Supplies</b>	6515	4420		\$ 120
Contracts 6520	Janitor and Cleaning Contracts	6517		\$ 1,392	
	Exterminating Contracts	6519		\$ -	
	Grounds Contracts	6537		\$ 2,094	
	Repairs Contracts	6542		\$ 4,984	
	Elevator Maintenance Contract	6545		\$ -	
	Swimming Pool Maintenance Contract	6547		\$ -	
	Decorating (Painting) Contract/Payroll	6560		\$ -	
	<b>Contracts</b>	6520	4430		\$ 8,470
Misc. 6790	Miscellaneous Taxes, Licenses, Permits	6719		\$ -	
	Other Insurance	6729		\$ -	
	<b>Miscellaneous Taxes, Permits &amp; Insurance</b>	6790			\$ 0

\*\*\* Owner to specify account numbers if not provided

**COMPUTATION OF SURPLUS CASH,  
DISTRIBUTIONS, AND RESIDUAL RECEIPTS**

**Connecticut Housing Finance Authority**  
Asset Management - Multifamily Housing

CHFA Form HM 6-51 (Rev. 12/2014)

Project Name: <u>Westport Rotary Centennial House</u>	Fiscal Year-End: <u>December 31, 2016</u>
CHFA Number: <u>06048S</u>	Beginning Date: <u>January 1, 2016</u>
HUD Number: <u>N/A</u>	Mortgagor: <u>Westport Rotary Centennial House</u>

**Part A - COMPUTE SURPLUS CASH**

CASH	1. Cash (Accounts 1110, 1120, 1191, 1192)	\$ 135,664	
	2. Tenant Subsidy vouchers due for period covered by financial statement	\$ 0	
	3. Other (describe)	\$ 0	
	<b>(A) Total Cash (Add Lines 1, 2, and 3)</b>		\$ 135,664
CURRENT OBLIGATIONS	4. Accrued mortgage interest payable	\$ 0	
	5. Delinquent mortgage principal payments	\$ 0	
	6. Delinquent deposits to reserve for replacements	\$ 0	
	7. Accounts payable (due within 30 days)	\$ 23,365	
	8. Loans and notes payable (due within 30 days, if allowed under CHFA loan documents)	\$ 0	
	9. Deficient Tax Insurance or MIP Escrow Deposits	\$ 0	
	10. Accrued expenses (not escrowed)	\$ 5,000	
	11. Prepaid Rents (Account 2210)	\$ 902	
	12. Tenant security deposits liability (Account 2191)	\$ 1,025	
	13. Other (Describe)	\$ 0	
	<b>(B) Less: Total Current Obligations (Add Lines 4 through 13)</b>		\$ 30,292
	<b>(C) Surplus Cash (Deficiency)(Line (A) minus Line (B))</b>		\$ 105,372

**Part B - COMPUTE DISTRIBUTIONS TO OWNERS AND REQUIRED DEPOSIT TO RESIDUAL RECEIPTS**

	1a. Surplus Cash (From Line (C))		\$ 105,372
	1b. Less: Additional Interest Due CHFA, if applicable		\$ 0
	1c. Surplus Cash Available for Distribution		\$ 105,372
LIMITED DIVIDEND PROJECTS	2a. Annual Distribution Earned During Fiscal Period Covered by Statement	\$ 0	
	2b. Distribution Accrued and Unpaid as of the End of the Fiscal Period	\$ 0	
	2c. Distributions Paid During Fiscal Period Covered by Statement	\$ 0	
	3. Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid (Line 2a plus 2b minus 2c)	\$ 0	
	4. Amount Available for Distribution During Next Fiscal Period		\$ 0
	5. Deposits Due Residual Receipts (Must be deposited with Mortgagee within 60 days after Fiscal Period ends)		\$ 0

**COMPUTATION OF  
NET OPERATING INCOME**

**Connecticut Housing Finance Authority**  
Asset Management - Multifamily Housing

CHFA Form HM 6-52 (Rev. 12/2014)

Project Name: <u>Westport Rotary Centennial House</u>	Fiscal Year-End: <u>December 31, 2016</u>
CHFA Number: <u>06048S</u>	Beginning Date: <u>January 1, 2016</u>
HUD Number: <u>N/A</u>	Mortgagor: <u>Westport Rotary Centennial House</u>

**Part I - COMPUTE NET OPERATING INCOME (Source HM 6-50 "Statement of Operations")**

	Account #	
A. Profit (Loss) before Depreciation	5060T	\$ <u>1,763</u>
B. Less: Revenue from Investments - Residual Receipts	5430	\$ <u>-</u>
C. Less: Revenue from Investments - Replacement Reserves	5440	\$ <u>348</u>
D. Less: Revenue from Investments - Miscellaneous (Restricted Accounts Only)	5490	\$ <u>-</u>
E. Plus: Total Financial Expenses	6800T	\$ <u>65,826</u>
F. Less: Replacement Reserve Deposits	Part II #2	\$ <u>3,156</u>
<b>G. Net Operating Income (NOI)</b>		<b>\$ <u>64,085</u></b>

**Part II - IDENTIFY SPECIAL FINANCIAL CONDITIONS FOR ADJUSTMENT**

**A. Replacement Reserves**

1) Disbursements from replacement reserve during period covered by the statement \$ -

a) Plus: Pending requests at year-end for the release of funds from the replacement reserve to cover items either expensed or capitalized during the period covered by the statement \$ -

b) Less: Total of funds received from replacement reserve during the period covered by the statement that were expensed or capitalized in prior years \$ -

c) Less: Amount capitalized as increases in fixed assets during the period covered by the statement \$ -

d) Total disbursements from the replacement reserve included as expenses on HM 6-50 \$ -

2) Are there any extraordinary or one-time sources of income and/or expense(s) that are included on the Statement of Operations? (e.g.: Proceeds from Insurance claim not received in the same period as the loss) YES  NO

3) If YES, explain reason(s) and amount(s) below:

	\$ <u>-</u>	
	\$ <u>-</u>	
	\$ <u>-</u>	
	\$ <u>-</u>	
TOTAL Extraordinary or one-time income / expense(s)		\$ <u>-</u>

**B. Other Restricted Reserves**

1) Have all disbursements from other restricted reserve accounts (Operating Reserve, Residual Receipts, etc.) been capitalized as Increases on the Schedule of Fixed Assets? YES  NO  N/A

2) If NO, what is the amount of other restricted reserve account releases that are represented as expenditures on the Statement of Operations? Explain reason(s) and amount(s) below:

	\$ <u>-</u>	
	\$ <u>-</u>	
		\$ <u>-</u>

**C. Interest Reduction Payments (HUD Section 236 developments only)**

1) Are Interest Reduction Payments (IRP) from HUD Section 236 contracts shown as Income in Account #5945 and included in the expense line item Interest on Mortgage Payable in Account #6820? YES  NO  N/A

2) If NO, what is the annual amount of the IRP paid to CHFA by HUD on the development's behalf not included as income in Account #5945? \$ -

**Part III - ADJUSTED NET OPERATING INCOME FROM PART II**

	Source	
Net Operating Income	Part I - G	\$ <u>64,085</u>
Plus: Replacement Reserve releases included as expenses in Statement of Operations	Part II - A1	\$ <u>-</u>
Less/Plus: Extraordinary or one-time income / expense(s)	Part II - A3	\$ <u>-</u>
Plus: Other Restricted Reserve Accounts	Part II - B2	\$ <u>-</u>
Plus: Interest Reduction Payments	Part II - C2	\$ <u>-</u>
<b>Equals: Adjusted Net Operating Income (NOI)</b>		<b>\$ <u>64,085</u></b>

**WESTPORT ROTARY CENTENNIAL HOUSE  
CHFA PROJECT NO. 06048S**

**SCHEDULE OF RESERVE FOR REPLACEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

---

Account  
No.

---

**Reserve for Replacements**

1320P	<b>Balance</b> - January 1, 2016	\$ 15,288
1320DT	Total monthly deposits	3,156
1320INT	Interest income	67
1320WT	Approved withdrawals	<u>          --</u>
1320	<b>Balance</b> - December 31, 2016	<u><u>\$ 18,511</u></u>

**WESTPORT ROTARY CENTENNIAL HOUSE  
CHFA PROJECT NO. 06048S**

**CHANGES IN FIXED ASSET ACCOUNTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

Account No.	Assets			Balance 12/31/2016
	Balance 1/1/2016	Additions	Deletions	
1410 Land	\$ 526,320	\$ --	\$ --	\$ 526,320
1420 Buildings	2,007,876	--	--	2,007,876
	2,534,196	--	--	2,534,196
1495 Accumulated depreciation	(423,303)	(66,929)	--	(490,232)
1440N Total net book value	<u>\$ 2,110,893</u>	<u>\$ (66,929)</u>	<u>\$ --</u>	<u>\$ 2,043,964</u>



**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  
**Homes with Hope, Inc. and IHA, Inc.**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Homes with Hope, Inc. (Homes with Hope, Inc. and IHA, Inc., HUD Project No. 017-HD015), which comprise the combined statement of financial position as of December 31, 2016, 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 financial statements, and have issued our report thereon dated April 7, 2017.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit of the combined financial statements, we considered Homes with Hope, Inc. and IHA, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Homes with Hope, Inc. and IHA, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Homes with Hope, Inc. and IHA, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### ***COMPLIANCE AND OTHER MATTERS***

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

#### ***PURPOSE OF THIS REPORT***

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

*Marcum LLP*

New Haven, CT  
April 7, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
**IHA, Inc.**

***Report on Compliance for A Major Federal Program***

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

IHA, Inc.'s financial statements are included in combined financial statements with Homes With Hope, Inc. (HWH). HWH expended \$250,714 in federal awards which is not included in the accompanying schedule of expenditures of federal awards for the year ended December 31, 2016. Our audit, described below, did not include the operations of HWH, as HWH did not meet the expenditure threshold for an OMB Uniform Guidance audit for the year ended December 31, 2016.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of IHA Inc.'s compliance.

### ***Opinion on a Major Federal Program***

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

### ***Report on Internal Control Over Compliance***

Management of IHA, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered IHA, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of IHA, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

***Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance***

We have audited the financial statements of IHA, Inc. as of and for the year ended December 31, 2016, and have issued our report thereon dated April 7, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Marcum LLP*

New Haven, CT  
April 7, 2017

**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Supportive Housing for the Elderly (Section 202)	14.157		\$ 840,000
Section 8 Housing Choice Vouchers	14.871		<u>109,454</u>
Total Expenditures of Federal Awards			<u>\$ 949,454</u>

*See Notes to Schedule of Expenditures of Federal Awards.*

**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of IHA, Inc. under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of IHA, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of IHA, Inc.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3 – HUD SECTION 202 DIRECT LOAN**

The schedule of expenditures of federal awards includes proceeds from a capital advance totaling \$840,000 issued by the Department of Housing and Urban Development (HUD) for the purpose of acquiring residential housing. As a condition of this advance, IHA, Inc. is required to continue the use of the housing for eligible families until the maturity date of the advance, which ends June 30, 2041, or repay the entire amount of the advance plus interest at 6.25 percent.

**NOTE 4 – INDIRECT COST RATE**

IHA, Inc. has not elected to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS**

***FINANCIAL STATEMENTS***

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- \* Material weakness(es) identified? \_\_\_\_\_ Yes      x   No
- \* Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      x   None Reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      x   No

***FEDERAL AWARDS***

Internal control over major programs:

- \* Material weakness(es) identified? \_\_\_\_\_ Yes      x   No
- \* Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      x   None Reported

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

- \* Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes      x   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.157	Supportive Housing for the Elderly (Section 202)

- Auditee qualified as a low-risk auditee?   x   Yes    \_\_\_\_\_ No

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000



**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

A. Internal Control over Financial Reporting

No matters were reported

B. Compliance and Other Matters

No matters were reported

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

No matters were reported

**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None

**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**MANAGING AGENT'S CERTIFICATION**

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We hereby certify that we have examined the accompanying financial statements and additional information of IHA, Inc., HUD Project No. 017-HD015 and, to the best of our knowledge and belief; the same are accurate and complete.



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Matthew Fontaine, Controller  
DeMarco Management Company  
EIN 06-1371436

**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**CERTIFICATE OF MORTGAGORS**

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We hereby certify that we have examined the accompanying financial statements and additional information of IHA, Inc., HUD Project No. 017-HD015 and, to the best of our knowledge and belief; the same are accurate and complete.



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Jeff Wieser  
President & CEO  
IHA, Inc.  
EIN 06-1566759

**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors  
**IHA, Inc.**

We have performed the procedure described in the second paragraph of this report, which was agreed to by IHA, Inc. and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Administrative Requirements reporting package. IHA, Inc. is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the “UFRS Rule Information” column with the corresponding printed documents listed in the “Hard Copy Documents” column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), for IHA, Inc. as of and for the year ended December 31, 2016, and have issued our reports thereon dated April XXX, 2017. The information in the “Hard Copy Documents” column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated April 7, 2017, was expressed in relation to the basic financial statements of IHA, Inc. taken as a whole.

A copy of the reporting package required by OMB Uniform Administrative Requirements, which includes the auditors' reports, is available in its entirety from IHA, Inc. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report is intended solely for the information and use of IHA, Inc. and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

*Marcum LLP*

New Haven, CT  
April 7, 2017

**IHA, INC.**  
**HUD PROJECT NO. 017-HD015**

**ATTACHMENT TO INDEPENDENT ACCOUNTANTS REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>UFRS Rule Information</b>	<b>Hard Copy Document(s)</b>	<b>Findings</b>
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Supplemental Schedules with Financial Statement Data	Agrees
Surplus Cash (S1300 series of accounts)	Computation of Surplus Cash, Distributions and Residual Receipts (Annual)	Agrees
Footnotes (S3100 series of accounts)	Notes to the Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor Reports (S3400, S3500 and S3600 series of accounts)	Auditor's Reports on the Financial Statements, Compliance and Internal Control	Agrees
Type of Opinion on Supplemental Data (account number S3400-100)	Auditor's Report on Supplemental Data	Agrees
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General information (S3300, S3700 and S3800 series of accounts)	Schedule of Findings and Questioned Costs and OMB Data Collection Form	Agrees

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE  
OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE  
STATE SINGLE AUDIT ACT**

Board of Directors  
**Homes with Hope, Inc.**

***REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM***

We have audited Homes with Hope, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of Homes with Hope, Inc.'s major state programs for the year ended December 31, 2016. Homes with Hope, Inc.'s major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***MANAGEMENT'S RESPONSIBILITY***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

***AUDITORS' RESPONSIBILITY***

Our responsibility is to express an opinion on compliance for each of Homes with Hope, Inc.'s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Homes with Hope, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on Homes with Hope, Inc.'s compliance.

#### ***OPINION ON EACH MAJOR STATE PROGRAM***

In our opinion, Homes with Hope, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2016.

#### ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

Management of Homes with Hope, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Homes with Hope, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program, and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Homes with Hope, Inc.'s internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

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

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

***REPORT ON SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT***

We have audited the financial statements of Homes with Hope, Inc. as of and for the year ended December 31, 2016 and have issued our report thereon dated April 7, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated, in all material respects, in related to the financial statements taken as a whole.

*Marcum LLP*

New Haven, CT  
April 7, 2017

# HOMES WITH HOPE, INC.

## SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED DECEMBER 31, 2016

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State Grantor/ Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures
Connecticut Housing and Finance Authority - Capital Advance	(1)	\$ 1,914,576
Department of Mental Health and Addiction Services - Housing Supports and Services	11000-MHA53000-12035	364,586
Department of Housing - Rental Assistance Program	11000-DOH46920-16149-1200905	128,898
- Affordable Housing (Flexible Program)	12064-DOH46920-40238-150	100,000
- Social Services Block Grant	11000-DOH46920-16149-2070100	<u>23,356</u>
		<u>\$ 2,531,416</u>

(1) - Client not able to determine State Grant Program Core - CT Number

*See Notes to Schedule of Expenditures of State Financial Assistance.*

# HOMES WITH HOPE, INC.

## NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE FOR THE YEAR ENDED DECEMBER 31, 2016

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The accompanying schedule of expenditures of state financial assistance includes state grant activity of Homes with Hope, Inc. under programs of the State of Connecticut for the fiscal year ended December 31, 2016. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including:

- The Connecticut Housing and Finance Authority of the State of Connecticut provided a capital advance in accordance with the General Statutes of the State of Connecticut. This financial assistance funded the construction of the Westport Rotary Centennial House.
- The Department of Mental Health and Addiction Services of the State of Connecticut has provided financial assistance to fund supportive housing and services.
- The Department of Housing/Department of Social Services of the State of Connecticut has provided financial assistance to fund rental assistance programs.

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Homes with Hope, Inc. conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

#### *BASIS OF PRESENTATION*

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting.

**HOMES WITH HOPE, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
(CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE 2 - SUBRECIPIENTS**

Of the expenditures presented in the Schedule, Homes with Hope, Inc. provided funds to subrecipients as follows.

<b>Grantor/Program or Cluster Title</b>	<b>State Grant Program Core-CT Number</b>	<b>Amount Provided to Subrecipients</b>
Department of Mental Health and Addiction Services - Housing Supports and Services	11000-MHA53000-12035	\$ 99,650
		<u>\$ 99,650</u>

**HOMES WITH HOPE, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**I. SUMMARY OF AUDIT RESULTS**

*FINANCIAL STATEMENTS*

Type of auditor’s report issued: unmodified

Internal control over financial reporting:

- \* Material weakness(es) identified?  Yes  No
- \* Significant deficiency(s) identified?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

*STATE FINANCIAL ASSISTANCE*

Internal control over major programs:

- \* Material weakness(es) identified?  Yes  No
- \* Significant deficiency(s) identified?  Yes  None Reported

Type of auditor’s report issued on compliance for major programs: unmodified

- \* Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?  Yes  No

The following schedule reflects the major programs included in the audit:

State Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures
Connecticut Housing and Finance Authority Authority		
- Capital Advance	(1)	\$ 1,914,576
Department of Housing		
- Rental Assistance Program	11000-DOH46920-16149-1200905	\$ 128,898

Dollar threshold used to distinguish between Type A and Type B Programs: \$200,000

# HOMES WITH HOPE, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

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### II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated April 7, 2017 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*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no material weaknesses.

### III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs related to state financial assistance programs.

### IV. SCHEDULE OF PRIOR YEAR FINDINGS

There were no prior year findings.

**WESTPORT ROTARY CENTENNIAL HOUSE**  
**CHFA PROJECT NO. #06048S**

**MANAGING AGENT'S CERTIFICATION**

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We hereby certify that we have examined the accompanying financial statements and additional information of Westport Rotary Centennial House, CHFA Project No. 06048S and, to the best of our knowledge and belief; the same are accurate and complete.



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Matthew Fontaine, Controller  
DeMarco Management Company  
EIN 06-1371436



**WESTPORT ROTARY CENTENNIAL HOUSE**  
**CHFA PROJECT NO. #06048S**

**CERTIFICATE OF MORTGAGORS**

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We hereby certify that we have examined the accompanying financial statements and additional information of Westport Rotary Centennial House, CHFA Project No. 06048S and, to the best of our knowledge and belief; the same are accurate and complete.



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Jeff Wieser  
President & CEO  
Homes With Hope, Inc.  
EIN 22-2534326