

BARTLETT HOUSE, INC
FINANCIAL STATEMENTS
JUNE 30, 2016

DHHR - Finance

JUN 12 2018

Date Received

BARTLETT HOUSE, INC

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Bartlett House, Inc
Morgantown, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Bartlett House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bartlett House, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2017, on our consideration of Bartlett House, 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 an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Bartlett House, Inc.'s internal control over financial reporting and compliance.

The Rodeheaver Group, P.C.

Oakland, Maryland
February 22, 2017

DHHR - Finance

JUN 12 2018

Date Received

BARTLETT HOUSE, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 112,865
Investments	7,190
Rent receivable	5,289
Grant receivable	51,442
Current portion of pledges receivable	24,000
Administrative fees receivable	72,891
Prepaid expenses	9,729

Total current assets 283,406

PROPERTY AND EQUIPMENT

Land	412,070
Building	5,768,816
Furniture and fixtures	448,446

6,629,332

Less accumulated depreciation	<u>1,068,861</u>
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Total property and equipment 5,560,471

OTHER ASSETS

Long-term portion of pledges receivable, net	5,700
Loan origination fees	18,500
Less accumulated amortization	2,997

Total other assets 21,203

TOTAL ASSETS \$ 5,865,080

The Notes to Financial Statements are an integral part of this statement.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 23,815
Accrued payroll and payroll taxes payable	11,192
Unearned rent	2,571
Security deposits and prepaid rent	3,200
Line of credit	197,233
Current portion of capital lease	21,833
Current portion of long-term debt	<u>4,828</u>

Total current liabilities 264,672

LONG-TERM LIABILITIES

Accrued compensated absences	6,500
Long-term capital lease	797,182
Long-term debt	293,009
Refundable advance	<u>3,657,839</u>

Total long-term liabilities 4,754,530

TOTAL LIABILITIES

5,019,202

NET ASSETS

Unrestricted	840,513
Temporarily restricted	<u>5,365</u>

Total net assets 845,878

TOTAL LIABILITIES AND NET ASSETS

\$ 5,865,080

BARTLETT HOUSE, INC.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUES			
Grants and contracts:			
WV Department of Health and Human Resources	\$ 166,649	\$ -	\$ 166,649
WV Office of Economic Opportunity	134,713	-	134,713
Supportive Housing Program	183,487	-	183,487
United Way of Monongalia County	91,900	-	91,900
Children's Mental Health Block Grant	17,945	-	17,945
Emergency Food and Shelter Program	9,413	-	9,413
Other grants	51,483	-	51,483
Program service revenue	90,408	-	90,408
Contributions:			
Public and private support	60,042	2,650	62,692
Donated supplies and services	29,872	6,100	35,972
Other income	50,864	-	50,864
Fundraising	850	-	850
Interest income	226	-	226
	887,852	8,750	896,602
Net assets released from restrictions satisfied by payments	20,948	(20,948)	-
	908,800	(12,198)	896,602
EXPENSES AND LOSSES			
Program expense	833,247	-	833,247
Management and general	269,057	-	269,057
	1,102,304	-	1,102,304
Net unrealized and realized losses on investments	261	-	261
	1,102,565	-	1,102,565
Change in net assets	(193,765)	(12,198)	(205,963)
Net assets, beginning of year	1,034,278	17,563	1,051,841
Net assets, end of year	\$ 840,513	\$ 5,365	\$ 845,878

The Notes to Financial Statements are an integral part of this statement.

BARTLETT HOUSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	Shelter and Counseling Services	Management and General	Total
Salaries and wages	\$ 258,986	\$ 133,417	\$ 392,403
Payroll taxes and employee benefits	47,615	24,529	72,144
Telephone and utilities	89,477	9,942	99,419
Interest expense	52,014	5,779	57,793
Insurance	13,158	-	13,158
Maintenance	39,842	4,427	44,269
Janitorial	22,439	2,493	24,932
Travel and training	1,529	170	1,699
Client expenses	130,268	-	130,268
Fundraising	-	2,208	2,208
Office expenses	-	32,422	32,422
Professional fees	-	32,793	32,793
Other expenses	-	1,108	1,108
Depreciation expense	177,302	19,700	197,002
Amortization expense	617	69	686
TOTAL FUNCTIONAL EXPENSES	\$ 833,247	\$ 269,057	\$ 1,102,304

The Notes to Financial Statements are an integral part of this statement.

BARTLETT HOUSE, INC.

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (205,963)
Adjustments to reconcile change in net assets to net cash (used in) operating activities	
Net unrealized and realized losses on investments	261
Depreciation	197,002
Amortization	686
(Increase) decrease in assets:	
Rent receivable	(5,170)
Grants receivable	48,875
Pledges receivable, net	29,181
Administrative fees receivable	71,892
Prepaid expenses	958
Increase (decrease) in liabilities:	
Accounts payable	(345,466)
Accrued payroll and payroll taxes payable	926
Unearned rent	2,571
Security deposits and prepaid rent	(1,101)
	<hr/>
Net cash (used in) operating activities	(205,348)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property & equipment	<hr/> <u>(44,499)</u>
	<hr/>
Net cash (used in) investing activities	(44,499)

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in compensated absences	6,500
Payments on line of credit	(21,419)
Proceeds from refundable advance	25,817
Payments on capital lease	(21,098)
Proceeds from long-term debt	184,937
Payments on long-term debt	(5,424)
	<hr/>
Net cash provided by financing activities	169,313

Net (decrease) in cash and cash equivalents (80,534)

CASH AND CASH EQUIVALENTS

Beginning of year	193,399
End of year	<hr/> <u>\$ 112,865</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

Cash payments for interest	<hr/> <u>\$ 57,793</u>
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The Notes to Financial Statements are an integral part of this statement.

BARTLETT HOUSE, INC

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Description of Entity

Bartlett House, Inc. (the Organization), located in Morgantown, WV, is a non-profit organization that was founded in 1985. The Organization's mission is to provide housing and support services as an avenue to help break the cycle of homelessness. Bartlett House, Inc. is committed to providing an environment that meets a person's basic needs in an atmosphere where people are treated with dignity and respect. The Organization receives its grants and contract support primarily from the West Virginia Department of Health and Human Resources and other State Agencies (see Note 12 – Summary of Grants and Contracts). In addition, Bartlett House, Inc. receives support from the United Way of Monongalia and Preston Counties, Governor's Office of Economic Opportunity, local grants, and contributions from the general public.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting; consequently, certain revenues are recognized when earned rather than when received and certain expenses are recognized when the obligation is incurred rather than when cash is disbursed.

Net Asset Classifications

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The categories of net assets are described as follows:

Unrestricted Net Assets - Represents resources that are currently available to support the operations of the Organization. In addition, the Organization reports restricted contributions and substantially all grant activity, where the restrictions are met in the same reporting period, as unrestricted support.

Temporarily Restricted Net Assets - Represents resources restricted by donors and other outside sources for specific purposes as determined by the outside source. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Represents resources for which the corpus or principal sum is to remain intact in perpetuity. The Organization has no such resources at this time.

BARTLETT HOUSE, INC

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases these net asset classes. When a temporary restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Supplies and Services

A significant amount of donated services and donated supplies have been given to Bartlett House, Inc. These include a variety of unpaid volunteers assisting at the shelter, in education programs and maintenance projects. The value of donated services that (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The value of donated services that do not meet the criteria for recognition under FASB ASC 958 are not reflected in these statements. Bartlett House, Inc received donated services meeting the requirement of recognition of \$3,824. The donated services were from an electric company performing electric services. The fair value of those services were \$3,824. Donated property includes supplies valued at fair market value as of the date of gift. The Organization received significant donated supplies of \$26,048 during the year ended June 30, 2016.

Cash and Cash Equivalents

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

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Functional expenses have been allocated among program services and supporting services based on services benefited.

BARTLETT HOUSE, INC

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Estimates

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

Pledges Receivable

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

Grants and Contracts

Support received under grants and contracts with the West Virginia Department of Health and Human Resources, Governor's Office of Economic Opportunity, United Way of Monongalia and Preston Counties, and private foundations are recorded as unrestricted net assets because the related costs to such grants and contracts are incurred before reimbursement is received. Grants and contracts receivable represent amounts due for expenditures incurred prior to year-end. The amount receivable as of June 30, 2016 was \$51,442.

Income Taxes

Bartlett House, Inc. is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code and did not conduct any unrelated business activities for the year ended June 30, 2016. Therefore, Bartlett House has made no provision for federal income taxes in the accompanying financial statements. In addition, Bartlett House, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Income Tax Position

The Organization follows the guidance of ASC 740-10, "Accounting for Uncertainty in Income Taxes" which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Organization's financial statements.

BARTLETT HOUSE, INC

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Income Tax Position (Continued)

The Organization analyzes tax positions taken, including those related to the requirements set forth in the IRS Sec. 501(c) to qualify as a tax exempt organization, activities performed by volunteers and board members, the reporting of unrelated business income, and its status as a tax-exempt organization under West Virginia state statute.

The Organization does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Organization's financial position or changes in net assets as a result of analyzing its tax positions. Fiscal years ending on or after June 30, 2013 remain subject to examination by federal and state authorities.

Property and Equipment

It is the Organization's policy to capitalize property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets. Purchased property and equipment is capitalized at original cost. Donations of property and equipment are recorded as contributions at their estimated fair value on the date of the gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is calculated on the straight-line basis over the estimated useful life of the assets. Depreciable lives within each property classification are as follows:

Buildings	15-40 years
Furniture and fixtures	5-10 years

Depreciation expense for the year ended June 30, 2016 was \$197,002.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses for the year ended June 30, 2016 was \$81. These costs are included in office expenses on the statement of functional expenses.

Date of Management's Review

Subsequent events have been evaluated through February 22, 2017, the date which the financial statements were available to be issued.

BARTLETT HOUSE, INC

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS

Investments as of June 30, 2016 are stated at fair value and consist primarily of corporate bonds and reserve funds.

	<u>Carrying Amount</u>	<u>Fair Value</u>
Mutual Funds	\$ 7,080	\$ 7,080
Cash Reserve Funds	110	110
	<u>\$ 7,190</u>	<u>\$ 7,190</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2016:

	<u>Unrestricted</u>
Investments, beginning of year	\$ 7,451
Investment returns:	
Interest and dividends earned	116
Expense	(116)
Net unrealized and realized losses	<u>(261)</u>
Total return on investments	<u>(261)</u>
Investments, end of year	<u>\$ 7,190</u>

NOTE 3 - PROPERTY AND EQUIPMENT

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

NOTE 4 - COMPENSATED ABSENCES

Accrued compensated absences represent the Organization's liability for the cost of vested employees' vacation leave benefits payable in the event of employee terminations.

Employee vacation leave is earned based upon length of service. There is a "cap" amount of vacation time that an employee is eligible to accrue. Once an employee reaches the "cap", the vacation accruals will stop. The "cap" is also determined based upon length of service.

BARTLETT HOUSE, INC

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – LINE OF CREDIT

At June 30, 2016, Bartlett House, Inc. has a \$250,000 unsecured line of credit with a bank to be drawn upon as needed through June 16, 2017, with an interest rate of 5.75%. As of June 30, 2016, the balance outstanding was \$197,233.

NOTE 6 – LONG-TERM DEBT

Long-term debt at June 30, 2016 consisted of the following:

Clear Mountain Bank note payable, 5% interest, monthly installments of \$1,638, including interest, through September, 2045, secured by deed of trust	\$ 297,837
Less current portion	<u>(4,828)</u>
	<u>\$ 293,009</u>

Maturities of long-term debt at June 30, 2016 were as follows:

2017	\$ 4,828
2018	5,054
2019	5,312
2020	5,584
2021	5,870
Thereafter	<u>271,189</u>
	<u>\$ 297,837</u>

NOTE 7 – CAPITAL LEASE

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

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

BARTLETT HOUSE, INC

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – CAPITAL LEASE (Continued)

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

The cost of building and land under capital leases is included in the statement of financial position as property and equipment and is \$5,414,724 at June 30, 2016. Accumulated amortization is included in accumulated depreciation and is \$442,807 at June 30, 2016. Amortization of assets under capital leases is included in depreciation expense and totaled \$128,128 for the year ended June 30, 2016.

Future minimum lease payments at June 30, 2016 and the present value of the net minimum lease payments are as follows:

Year ending June 30,	2017	\$ 49,746
	2018	49,746
	2019	49,746
	2020	49,746
	2021	49,746
	Thereafter	<u>963,280</u>
	Minimum lease payments	1,212,010
	Less amount representing interest	<u>(392,995)</u>
	Present value of net minimum lease payments	819,015
	Less current portion of Capital Lease payments	<u>(21,833)</u>
	Long-term portion of Capital Lease payments	<u>\$ 797,182</u>

NOTE 8 – REFUNDABLE ADVANCES

Refundable advances consisted of the following at June 30, 2016:

WV Housing Development Fund	\$ 2,200,000
WV Housing Development Fund	<u>1,457,839</u>
Total Refundable Advances	<u>\$ 3,657,839</u>

BARTLETT HOUSE, INC

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – REFUNDABLE ADVANCES (Continued)

The Organization completed the West Run Project in the beginning of fiscal year 2016. The West Run Project was built to provide transitional supportive housing to assist individuals and families to transition from temporary housing to permanent housing. The West Run Project provides 20 units of permanent housing, 20 units of transitional housing and administrative offices.

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

In July of 2014, the Organization entered into a second loan for funds not to exceed \$1,457,839 under the HOMErent Program (Loan). The terms of the Loan are such that payments on the Loan are deferred for 22 years and is evidenced by a Promissory Note and will not be subject to repayment unless the Organization fails to provide affordable rental housing to low-income families. The Loan is secured by a Credit Line Deed of Trust granting the fund a valid and enforceable third priority lien on all the Real Property and all improvements and fixtures thereon at the West Run property.

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

NOTE 9 – EMPLOYEE BENEFIT PLAN

Bartlett House, Inc. has adopted a 403(b) Plan for the benefit of eligible employees. Bartlett House, Inc. matches up to 100% of the first 3% of an employees' contribution. The plan expenses incurred by the Organization during the year ending June 30, 2016 were \$4,304 and are included in payroll taxes and employee benefits on the statement of functional expenses.

BARTLETT HOUSE, INC

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – CONCENTRATION OF RISK

The Organization receives a substantial amount of its support from the West Virginia Department of Health and Human Resources under a contract and the Governor's Office of Economic Opportunity and the United Way of Monongalia and Preston Counties from grants. A significant reduction in the level of these supports, if this were to occur, may have a significant impact on the Organization. Support received from the West Virginia Department of Health and Human Resources amounted to \$166,649, the Governor's Office of Economic Opportunity amounted to \$134,713, the U.S. Department of Housing and Urban Development amounted to \$183,487, and the United Way of Monongalia and Preston Counties amounted to \$91,900 for the year ended June 30, 2016.

NOTE 11 – FAIR VALUE MEASUREMENT

FASB ASC 820 establishes 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 under ASC 820 are as follows:

- a. Level 1: Quoted market prices in active markets for identical assets or liabilities.
- b. Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- c. Level 3: Unobservable inputs that are not corroborated by market data.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility, statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Organization. The Organization considers observable data to be the market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

BARTLETT HOUSE, INC

NOTES TO FINANCIAL STATEMENTS

NOTE 11 – FAIR VALUE MEASUREMENT (Continued)

Fair values of assets measured on a recurring basis at June 30, 2016 are as follows:

Fair Value Measurements at Reporting Date Using				
June 30, 2016	Fair Value	Level 1	Level 2	Level 3
Investment -Mutual Funds	\$ 7,190	\$ 7,190	\$ -	\$ -
Total	\$ 7,190	\$ 7,190	\$ -	\$ -

NOTE 12 – SUMMARY OF GRANTS AND CONTRACTS

Bartlett House, Inc. was primarily funded through the following grants and contracts for the period July 1, 2015 to June 30, 2016:

Federal Grantor/ Passthrough Grantor/ Program or Cluster Title	CFDA #	Contract Period	Grant Contract	Total Recognized Expenditures
Supportive Housing Program			WV0060B3E081000	
	14.235	04/01/15-03/30/16	WV0040L3E081402	
	14.267	04/01/16-03/30/17	WV0040L3E081503	\$ 183,487
W.V. Department of Health and Human Resources		07/01/15-06/30/16	G160114	166,649
WV Office of Economic Opportunity	14.231	07/01/15-09/30/16	ESG15-MON	134,713
United Way of Monongalia and Preston Counties		07/01/15-06/30/16		91,900
YWCA of Charleston		10/01/14-09/30/15 10/01/15-09/30/16		17,945
City of Morgantown	14.218	07/01/15-06/30/16		15,000
Emergency Food and Shelter Program	97.024	10/01/14-01/31/16		9,413
				<u>\$ 619,107</u>

BARTLETT HOUSE, INC

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Empty Bowls – food	\$ 5,000
Restricted contribution for landscaping	265
Restricted contribution for blankets	100
	<u>\$ 5,365</u>

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

Purpose restriction accomplished:

Employee bonus	\$ 1,200
Development coordinator	16,363
CSRC grant	2,000
Restricted contribution for landscaping	735
Restricted contribution for family in shelter	150
Restricted contributions for housing	500
Total restrictions released	<u>\$ 20,948</u>

NOTE 14 – PLEDGES RECEIVABLE

Pledges Receivable consists of the following:

Restricted to payment of capital lease and rehabilitation of West Run Project	\$ 33,000
Less: Allowance of doubtful pledges	<u>(3,300)</u>
Net restricted pledges receivable	<u>\$ 29,700</u>

Pledges receivable are expected to be received as follows:

Less than one year	\$ 24,000
In one to five years	5,700
Total pledges receivable	<u>\$ 29,700</u>

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

**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**

Board of Directors
Bartlett House, Inc
Morgantown, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Bartlett House, Inc (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statement of activities, functional expenses, and cash flows as of and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify the following deficiency in internal control that we consider to be a material weakness.

Classification of Refundable Advance

Condition: The Organization lacks adequate controls related to reporting grants received as restricted refundable advances. As a result, the Organization reported the advances as unrestricted revenue rather than properly reporting them as a liability. Although the Organization handled the funds and other requirements of these restricted grant agreements appropriately, the improper classification would have caused the financial statements to be materially misstated.

Criteria: Generally accepted accounting principles require grant revenue to be recognized when earned. A grant received in which the grantor establishes the terms or conditions the Organization must meet requires the transaction to be reported as either a temporarily restricted net asset or a liability until such time that the terms are met or the conditions are satisfied. The monies received from West Virginia Housing Development Fund contained conditions requiring the Organization to provide and maintain certain services over a 22 year period or be subject to repayment. These conditions meet the liability reporting criteria noted above and as such should be classified as a liability. Grant revenue would not be recognized as earned until the end of the 22 year period.

Cause: The Organization handled the collection and processing of the payments from West Virginia Housing Development Fund correctly; however, the uniqueness of the agreement was missed during the current year due to the Organization not maintaining a summary schedule of grants addressing the unique aspects of each grant. This resulted in the improper recognition of unrestricted grant revenue.

Effect: The classification error would have overstated grant revenue and understated liabilities in the current period.

Recommendation: We suggest that the Organization maintain a summary schedule of its grants, including the amount, term, dates of receipt, reporting requirements, restrictions, and other pertinent data and monitor compliance with the terms and conditions of all grants including restricted refundable advances during the grant period.

Response: Management and the Board of Directors will develop and monitor policies and procedures for creating and maintaining a summary schedule of all grants. This summary schedule will include the amount, term, dates of receipt, reporting requirements, restrictions, and other pertinent data of all grants which will assist in the proper reporting of each grant.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bartlett House, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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.

Bartlett House, Inc.'s Response to Findings

Bartlett House, Inc.'s response to the findings identified in our audit is described in the last section of the finding identified above as a material weakness. Bartlett House, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

The Rodeheaver Group, P.C.

Oakland, Maryland
February 22, 2017