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WEST VIRGINIA COALITION TO END HOMELESSNESS, INC.

Financial and Compliance Report
June 30, 2017

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CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
West Virginia Coalition to End Homelessness, Inc.
Bridgeport, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Coalition to End Homelessness, Inc. (Organization) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets (deficiency), and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 the West Virginia Coalition to End Homelessness, Inc. as of June 30, 2017, and the changes in its net assets (deficiency) and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the West Virginia Coalition to End Homelessness will continue as a going concern. As discussed in Note 8 to the financial statements, the Organization has suffered a loss from operations, impaired liquidity, and has a net capital deficiency that raises doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

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, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and schedule of expenditures of state awards required by the State of West Virginia, are presented for purposes of additional analysis and are not required parts of the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2018, on our consideration of West Virginia Coalition to End Homelessness, Inc.'s internal control over financial reporting and 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 the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Virginia Coalition to End Homelessness' internal control over financial reporting and compliance.

Arnett Carbis Toothman LLP

Bridgeport, West Virginia
May 30, 2018

WEST VIRGINIA COALITION TO END HOMELESSNESS, INC.

STATEMENT OF FINANCIAL POSITION
June 30, 2017

ASSETS		
Accounts receivable	$	109,540
Total assets	$	109,540
LIABILITIES AND NET ASSETS (DEFICIENCY)		
LIABILITIES		
Accounts payable	$	29,961
Outstanding checks in excess of bank balance		18,311
Line of credit		10,000
Accrued payroll and payroll liabilities		61,530
Total liabilities		119,802
NET ASSETS (DEFICIENCY)		
Unrestricted		(10,262)
Total net assets (deficiency)		(10,262)
Total liabilities and net assets (deficiency)	$	109,540

See Notes to Financial Statements

WEST VIRGINIA COALITION TO END HOMELESSNESS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIENCY)
Year Ended June 30, 2017

UNRESTRICTED NET ASSETS		
Revenue:		
HMIS grant	$	350,192
ESG grant		175,483
PATH grant		83,326
DHHR grant		55,163
OEO grant		10,476
CSBG grant		54,420
CABI grant		93,742
Kenobi grant		74,641
WCVEH PSH grant		29,157
Planning grant		90,562
United Way of EP grant		10,000
Leadership academy revenue		50,579
Other revenue		27,233
Total unrestricted net assets		1,104,974
Expenses:		
Salaries and fringe benefits		581,968
Rental		195,063
Travel		95,250
Software and licenses		75,773
Professional fees		14,705
Utilities		36,013
Office		10,256
Training		103,177
Housing reimbursements		7,978
Insurance		5,132
Advertising		1,159
Material and supplies		62,301
Taxes and licenses		368
Bank charges		316
Other expenses		9,591
Total expenses		1,199,050
(Decrease) in net assets		(94,076)
Net assets, beginning of the year		83,814
Net assets (deficiency), end of the year	$	(10,262)

See Notes to Financial Statements

WEST VIRGINIA COALITION TO END HOMELESSNESS, INC.

STATEMENT OF CASH FLOWS
Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (94,076)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in assets:	
Accounts receivable	(37,371)
Increase (decrease) in liabilities:	
Accounts payable	17,610
Accrued payroll and accrued expenses	30,715
Net cash (used in) operating activities	(83,122)
CASH FLOWS FROM FINANCING ACTIVITIES	
Outstanding checks in excess of bank balance	18,311
Borrowings on line of credit, net of repayments	10,000
Net cash provided by financing activities	28,311
Net (decrease) in cash and cash equivalents	(54,811)
Cash and cash equivalents:	
Beginning	54,811
Ending	$ -

See Notes to Financial Statements

Note 1. Description of Organiza tion and Significant Accounting Policies

The West Virginia Coalition to End Homelessness, Inc. (Organization) is a private, not-for-profit organization that acts as an advocate for services to prevent and end homelessness throughout West Virginia.

Basis of accounting: The financial statements have been prepared using the accrual basis of accounting and are in accordance with accounting principles generally accepted in the United States of America.

Unrestricted grants: No unrestricted grant related assets are reflected in the statement of financial position unless costs have been incurred against the grant at which time the grantor is billed or cash has been received as an advance. Revenue is recognized in the statement of activities as unrestricted when program costs are incurred.

Net assets: Unrestricted net assets are neither permanently nor temporarily restricted by donor or grantor imposed stipulations.

Temporarily restricted net assets result from contributions, grants, or other inflows of assets whose use by West Virginia Coalition to End Homelessness, Inc. are limited by donor or grantor imposed stipulations that either expired by passage of time or can be fulfilled and removed by actions of West Virginia Coalition to End Homelessness, Inc., pursuant to those stipulations, from other asset enhancements and diminishments subject to the same kinds of stipulations, or from reclassifications to or from other classes of assets as a consequence of don or grantor imposed stipulations, their expiration from passage of time, or their fulfillment and removal by actions of West Virginia Coalition to End Homelessness, Inc. pursuant to those stipulations.

Permanently restricted net assets result from contributions, grants, or other inflows of assets whose use by Region VI Workforce Development Board, Inc. are limited by donor or grantor imposed stipulation that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Region VI Workforce Development Board, Inc., from other asset enhancements and diminishments subject to the same kinds of stipulations, or from reclassifications from or to other classes of net assets as a consequence of donor or grantor imposed stipulations.

West Virginia Coalition to End Homelessness, Inc. does not have any permanently or temporarily restricted net assets.

Income taxes: West Virginia Coalition to End Homelessness, Inc., is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and has been recognized as tax exempt under Section 501(a) of the Code. Accordingly, no provision for income taxes has been provided.

West Virginia Coalition to End Homelessness, Inc., follows the guidance for accounting for uncertainty in income taxes recognized in a company's financial statements that prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The guidance also addresses derecognition, classification, interest and penalties, accounting in interim periods, and disclosure.

Management has determined that this guidance had no material effect on the financial statements. West Virginia Coalition to End Homelessness, Inc., policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in management and general expenses. There were no interest or penalties recognized on the statements of activities as a result of this guidance. Generally, tax returns for years ended June 30, 2014, and thereafter remain subject to examination by federal and state tax authorities.

Financial statement presentation: The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Organization is required to present a statement of cash flows. There were no temporarily or permanently restricted net assets as of June 30, 2017.

Deferred revenue: Grant funds received in excess of expenditures incurred under grant activities are recorded as deferred grant revenue. As of June 30, 2017, there was no deferred grant revenue.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenue, and expenditures during the reporting period. Actual results could differ from those estimates.

Advertising: The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. During year ended June 30, 2017, advertising costs totaled $1,159. Any such costs constitute allowable necessary and reasonable public awareness costs.

Compensation of accrued absences: A liability has been recognized for unpaid, but earned, PTO to be subsequently taken by employees. However, no liability is recognized for sick leave as no amount is paid at the time of separation from employment.

Valuation of receivables: Receivables are unsecured and stated at face amount with no allowance for doubtful accounts. Management assesses the receivable balance each month and deemed that an allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

Fair value of financial instruments: The carrying value of cash, grants receivable, accounts payable, and accrued expenses approximates their fair values because they are short-term in nature.

Recent Accounting Pronouncements: In August 2016, the Financial Accounting Standards Board (FASB) issued guidance to improve certain current financial reporting for not-for-profits (NFPs). The main provisions of this ASU will require an NFP to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. NFPs will report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets. This ASU will also require NFPs to present on the face of the statement of activities the amount of change in each of the two classes of net assets noted above. NFPs will continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method, but will no longer require indirect method reconciliation if using the direct method. NFPs will report investment return net of external and direct internal investment expenses and no longer be required to disclose these netted expenses. NFPs will also be required to use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations or restrictions on gifts of cash of other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restriction to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

This ASU will further require an NFP to provide the following enhanced disclosures about: (a) amounts and purposes of governing board designations, appropriations, and similar actions as of the end of the period; (b) composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources; (c) qualitative information that communicates how an NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date; (d) quantitative information, either on the face the statement of financial position or in the notes, and additional qualitative information in the notes as necessary that communicates the availability of an NFP's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date; (e) amounts of expenses by both their natural classification and their functional classification; and (f) method used to allocate costs among program and support functions. This guidance is effective for NFPs with fiscal years beginning after December 15, 2017. Early adoption is permitted. West Virginia Coalition to End Homelessness, Inc. is currently evaluating the impact, if any, that adoption will have on its financial statements.

In November 2016, the FASB issued guidance on the statement of cash flows: restricted cash. Generally Accepted Accounting Principles currently do not include specific guidance on the cash flow classification and presentation of changes in restricted cash or restricted cash equivalents other than limited guidance for not-for-profit entities. The statement of cash flows must explain the change in restricted cash or restricted cash equivalents along with cash and cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Amendments should be applied retrospectively. This guidance is effective for public entities for fiscal years beginning after December 15, 2017, and for all other entities for fiscal years beginning after December 15, 2018. Public entities include any of the following: (1) a public business entity, (2) a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, or (3) an employee benefit plan that files or furnishes financial statements to the Securities Exchange Commission (SEC). Early adoption is permitted. West Virginia Coalition to End Homelessness, Inc. is currently evaluating the impact, if any, that adoption will have on its financial statements.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. This Update provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This Update is effective for the annual period ending after December 15, 2016, and for interim periods within annual periods beginning after December 15, 2016. Management has adopted the amendments of this update.

On February 25, 2016, the FASB issued ASU 2016-02 *Leases (Topic 842).* The ASU requires a lessee to recognize on the balance sheet assets and liabilities for leases with lease terms of more than 12 months. Consistent with current accounting and financial reporting standards, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current standards, which requires that only capital leases be recognized on the balance sheet, the ASU requires that both types of leases be recognized on the balance sheet through the recognition of a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term, and a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis. The ASU also requires disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The accounting by lessors remains largely unchanged from current requirements; but the ASU contains some targeted improvements that are intended to align, where necessary, lessor accounting with the lessee accounting model and with the updated revenue recognition guidance. The FASB amended the standard with the issuance of ASU 2017-13 to conform with narrow-scope guidance of the Securities and Exchange Commission regarding adoption timing. The FASB further amended the standard with the issuance of ASU 2018-01 which provides an optional transition practical expedient for the adoption of ASU 2016-02 that, if elected, would not require an organization to reconsider their accounting for existing land easements that are not currently accounted for under the old leases standard. ASU 2018-01 also provides that new or modified land easements should be evaluated under ASU 2016-02, once an entity has adopted the new standard. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, for public business entities; not-for-profit entities that have issued, or are a conduit bond obligor for, securities traded, listed, or quoted on an exchange or over-the-counter market; and employee benefit plans that file financial statements with the Securities and Exchange Commission. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all entities. Management is currently evaluating the impact this Update will have on future financial statements.

Subsequent events: The Organization has evaluated subsequent events through May 30, 2018, the date on which the financial statements were available to be issued.

Note 2. Operating Leases

The Organization leases three facilities for its administrative offices under separate operating lease agreements. The lease terms vary and extend through July of 2022. For the fiscal year ended June 30, 2017, total rental costs under these agreements amounted to $33,973. Future rental obligations are as follows:

Fiscal year ended June 30:	
2018	$ 52,800
2019	36,900
2020	36,000
2021	36,000
2022	33,000
	$ 194,700

The Organization also provides rental assistance for homeless individuals who enter into short-term operating rental arrangements. In fiscal 2017, total rent expense under these arrangements was $161,090.

Note 3. Concentrations of Credit Risk

The Organization maintains cash balances in a checking account at a local bank. The account is insured by the Federal Deposit Insurance Corporation up to $250,000.

The majority of support received by the Organization is comprised of federal pass-through grants from the West Virginia Department of Health and Human Resources, and direct federal funding from the Department of Housing and Urban Development. For the year ended June 30, 2017, $1,017,162 was reimbursed or reimbursable from these two grantors. A significant reduction in the level of this revenue, if this were to occur, may have an adverse effect on the Organization's operations and activities.

As of June 30, 2017 grant requests receivable from these grantors aggregated $107,824.

Note 4. Related Party Transactions

The Organization does not have any common board members.

Note 5. Contingent Liabilities

The Organization's programs are generally funded from federal and state sources. Federal and state grants received for specific purposes are subject to audit and review by grantor agencies. Such audits and reviews could result in requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grants. The amount, if any, of expenditures, which may be disallowed by grantor, agencies cannot be determined at this time, although management believes such amounts, if any, to be immaterial.

Note 6. Defined Contribution Plan

The Organization maintains a SEP IRA contribution plan. Contributions that the employees make to the plan are made with pre-tax dollars. Earnings on these contributions are tax-deferred until withdrawn from the account. The Organization provides an employer contribution equal to 3% of the employee's salary before deductions. This plan becomes effective the first day of the first month following hire. The Organization's expense under this plan for the fiscal year ended June 30, 2017, was $9,023.

Note 7. Program and Other Expenditures

Expenditures for the year ended June 30, 2017, were as follows:

Administrative and General	$ 114,057
Program Services	1,084,993
Total	$ 1,199,050

Note 8. Management's Plans

Management of West Virginia Coalition to End Homelessness, Inc., to address the Organization's deterioration of liquidity and financial condition has redoubled it's searches for service opportunities and funding relationships to further the Organization's philanthropic purpose that will also improve the Organization's financial condition. Management has been pursuing an opportunity for a $20,000-$25,000 consulting project with another Continuum of Care Organization in Arizona, has applied for a $35,000 United Way Grant, and has recently received a $40,000 foundation grant. Additionally, the Organization will be sponsoring in partnership with OrgCode Consulting, a 2018 Leadership Academy in October which management projects will net approximately $10,000 in unrestricted net assets. Further, the third annual Conference on Ending Homelessness will occur in November of 2018, and management projects it will net approximately $5,000-$10,000 in additional unrestricted net assets depending on the number of attendees the event will muster. Management of the Organization believes that the continuous pursuit of funding opportunities and expansion of programs funded with unrestricted resources such as these will not only further the purpose of the Organization, but will also improve the future of the Organization's financial condition.

Note 9. Line of credit

West Virginia Coalition to End Homelessness, Inc. has up to a $10,000 line of credit available, of which $10,000 was outstanding at June 30, 2017. Bank advances on the credit line are due on demand and carry an interest rate of 5.5%.

WEST VIRGINIA COALITION TO END HOMELESSNESS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Direct Identifying Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development				
Direct Awards:				
Continuum of Care Program	14.267	WV0028L3E081507	$ -	$ 134,486
Continuum of Care Program	14.267	WV0028L3E081406	-	201,138
Continuum of Care Program	14.267	WV0126L3E081500	-	73,088
Continuum of Care Program	14.267	WV0119L3E081500	-	86,947
Continuum of Care Program	14.267	WV0082L3E081605	-	29,113
			-	524,772
Pass-through West Virginia Office of Economic Development:				
Emergency Solutions Grant Program	14.231	E16DC540001	-	169,165
Total U.S. Department of Housting and Urban Development			-	693,937
U.S. Department of Health and Human Services				
Passed-through West Virginia Office of Economic Development:				
Community Services Block Grant	93.569	G-17B1WVCOSR	-	38,648
Community Services Block Grant	93.569	G-16B1WVCOSR	-	12,888
Community Services Block Grant	93.569	G-15B1WVCOSR	-	13,326
			-	64,862
Pass-through West Virginia Department of Health and Human Resources				
Block Grants for Community Mental Health Services	93.958	G170492	-	24,401
Block Grants for Community Mental Health Services	93.958	G160505	-	27,324
			-	51,725
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	G170740	-	93,336
Projects for Assistance in Transition from Homelessness	93.150	G170216	-	60,340
Total U.S. Department of Health and Human Services			-	270,263
Total Expenditures of Federal Awards			$ -	$ 964,200

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of West Virginia Coalition to End Homelessness, Inc. under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 West Virginia Coalition to End Homelessness, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of West Virginia Coalition to End Homelessness, Inc.

Note 2. Summary of Significant Accounting Policy

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.

Note 3. Indirect Costs

West Virginia Coalition to End Homelessness, Inc. has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

WEST VIRGINIA COALITION TO END HOMELESSNESS, INC.

SCHEDULE OF STATE AWARDS
Year Ended June 30, 2017

State Grantor/Program Title	Grant Number	Grant Period	Grant Award	Grant Receipts	Grant Expenditures
West Virginia Department of Health and Human Resources					
Bureau for Behavioral Health and Health Facilities					
Office of Programs and Policies					
Projects for Assistance in Transition from Homelessness					
West Virginia Appropriated Funds	G170216	7/1/2016 - 6/30/2017	$ 31,911	$ 31,911	$ 31,911

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INDEPENDENT AUDITOR'S 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
West Virginia Coalition to End Homelessness, Inc.
Bridgeport, 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 the West Virginia Coalition to End Homelessness, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets (deficiency), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon, dated May 30, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness*, is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considers to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Organization's Response to Findings

The Organization's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization'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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arnett Carbis Toothman LLP

Bridgeport, West Virginia
May 30, 2018

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
West Virginia Coalition to End Homelessness, Inc.
Bridgeport, West Virginia

Report on Compliance for Each Major Federal Program

We have audited West Virginia Coalition to End Homelessness, Inc.'s (Organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on West Virginia Coalition to End Homelessness, Inc.'s major federal program for the year ended June 30, 2017. West Virginia Coalition to End Homelessness, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization'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 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* (CFR) 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 the Organization'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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, West Virginia Coalition to End Homelessness, 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 June 30, 2017.

Bridgeport, WV • Buckhannon, WV • Charleston, WV • Columbus, OH • Meadville, PA • Morgantown, WV • New Castle, PA • Pittsburgh, PA

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the Organization'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 and, therefore material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

The Organization's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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 on Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Arnett Carbis Toothman LLP

Bridgeport, West Virginia
May 30, 2018

SECTION 1 - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of Auditor's report issued:	Unmodified opinion	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies)?	X Yes	____ None Reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over financial reporting.		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies)?	X Yes	____ None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified opinion	
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR-200.516(a)?	____ Yes	X No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
14.267	Continuum of Care

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	____ Yes	X No

SECTION 2 – FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

See Finding Numbers **2017-001 and 2017-002** below.

SECTION 3 – FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARD PROGRAM

Finding Number 2017-001

Finding: Activity in the Pay Pal account was not recorded in the accounting software.

Criteria or specific requirement: Generally accepted accounting principles requires that all revenue be recorded as earned.

Condition: As of June 30, 2017, $1,603 was not recorded in accounting system as revenue.

Effect: This caused revenue to be understated by $1,603 at year-end.

Cause: The reason the activity was not recorded in the accounting software is because it is only recorded when the CEO authorizes a transfer from the Pay Pal account into the checking account.

Questioned Costs: None.

Context: During review of the general ledger and subsequent events testing, it was noted that revenue from Leadership Academy registration was being collected through Pay Pal, but not recorded in the accounting software.

Recommendation: It is recommended that the client create a Pay Pal account in the QuickBooks ledger and record activity as it happens in order to properly record all revenues and expenses.

Views of Responsible Officials and Planned Corrective Action: The client has been made aware of this and is planning to create a new account in the chart of accounts for the Pay Pal activity. Also, an audit entry was made to record the revenue.

Finding Number 2017-002

Finding: Missing approvals on invoices during allowable cost testing.

Criteria or specific requirement: In accordance with a good system of internal control and corporate policies and procedures, all invoices must be properly approved for payment.

Condition: Six of the 112 invoices tested during allowable cost testing did not have proper evidence of management approval.

Effect: Expenditures were made that did not have a proper written signature of approval.

Cause: The reason is that assumptions were made that routine expenditures could be made without any written signature of approval, however, internal policies and procedures currently do not allow for a deviation of this sort from the policy.

Questioned Costs: The invoices that did not have proper documented approval totaled $49,585. However, review of the checks issued for payment revealed that the individuals responsible for approving the transactions signed the checks, and review of the transactional source documentation revealed the costs were allowable under the grants and federal cost principles. Therefore, there are no questioned costs associated with this finding.

Context: Of the 112 transactions tested, we found six instances of noncompliance with prescribed controls that did not have proper written signature of approval.

Recommendation: It is recommended that all invoices obtain a prior written signature of approval before they are paid, and if management wishes to alter its current policy to permit recurring invoices to be paid without individual approval then such a change in policy should be made.

Views of Responsible Officials and Planned Corrective Action: The program director will ensure that all invoices are properly approved before payment.

WEST VIRGINIA COALITION TO END HOMELESSNESS, INC.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2017

SECTION 1 – PRIOR YEAR AUDIT FINDINGS

Finding Number 2016-001

Finding: Activity in the Pay Pal account was not recorded in the accounting software.

Criteria or specific requirement: Generally accepted accounting principles requires that all revenue be recorded as earned.

Condition: As of June 30, 2016, $18,306 was not recorded in accounting system as revenue.

Effect: This caused revenue to be understated by $18,306 at year-end.

Cause: The reason the activity was not recorded in the accounting software is because it is only recorded when the CEO authorizes a transfer from the Pay Pal account into the checking account.

Questioned Costs: The amount of revenue that had not been booked was $18,306.

Context: During review of the general ledger and subsequent events testing, it was noted that revenue from Leadership Academy registration was being collected through Pay Pal, but not recorded in the accounting software.

Recommendation: It is recommended that the client create a Pay Pal account in the QuickBooks ledger and record activity as it happens in order to properly record all revenues and expenses.

Views of Responsible Officials and Planned Corrective Action: The client has been made aware of this and is planning to create a new account in the chart of accounts for the Pay Pal activity. Also, an audit entry was made to record the revenue.

Finding Number 2016-002

Finding: Missing approvals on invoices during allowable cost testing.

Criteria or specific requirement: In accordance with a good system of internal control and corporate policies and procedures, all invoices must be properly approved for payment.

Condition: Fourteen of thirty-seven invoices tested during allowable cost testing did not have proper evidence of management approval.

Effect: Expenditures were made that did not have a proper written signature of approval.

Cause: The reason is that assumptions were made that routine expenditures could be made without any written signature of approval, however, internal policies and procedures currently do not allow for a deviation of this sort from the policy. Time cards are received via email by supervisor, however there is no formal approval process.

Questioned Costs: The invoices that did not have proper approval totaled $77,526. However, based on a review of the invoices and other audit procedures performed, the underlying expenditures are allowable under the grants and the cost principles. Therefore, there are no questioned costs associated with this finding.

Context: Of the 37 transactions tested, we found fourteen instances of noncompliance that did not have proper written signature of approval.

Recommendation: It is recommended that all invoices obtain a prior written signature of approval before they are paid, and if management wishes to alter its current policy to permit recurring invoices to be paid without individual approval then such a change in policy should be made.

Views of Responsible Officials and Planned Corrective Action: The program director will ensure that all invoices are properly approved before payment.

WEST VIRGINIA
COALITION TO END
HOMELESSNESS
Advocates for Service to Prevent and End Homelessness throughout West Virginia

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2017-001 Activity in Pay Pal account was not recorded in the accounting software.

Auditee Response:
We agree with the above findings. During the fiscal year beginning July 1, 2018, we have incorporated an accounting practice that includes monthly reconciliation and recording of all Pay Pal activity.

2017-002 Missing approvals on invoice during allowable cost testing.

Auditee Response:

We agree with the above finding. During the fiscal year beginning July 1, 2018, the Program Director has implemented a system, which ensures that all invoices are properly approved before payment.

We anticipate this will correct all of these issues.