

*AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION*

**THE HOMELESS ALLIANCE, INC.**

**June 30, 2016**

THE HOMELESS ALLIANCE, INC.

June 30, 2016

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Independent Auditors' Report

To the Board of Directors of  
The Homeless Alliance, Inc.  
Oklahoma City, Oklahoma

**Report on the Financial Statements**

We have audited the accompanying financial statements of The Homeless Alliance, Inc. (the "Alliance"), a not-for-profit organization, which comprise the statement of financial position as of June 30, 2016, and the related statement 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 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.

***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 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 Alliance's preparation and fair presentation of the financial statements in order to design audit procedures that are of appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alliance'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 Alliance as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Other Information***

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 on page 22, as required by Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of expenditures of city awards on page 23, as required by the City of Oklahoma City, are presented for purposes of additional analysis and are 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Matter***

The financial statements of the Alliance as of and for the year ended June 30, 2015 were audited by other auditors whose report dated October 21, 2015 expressed an unmodified opinion on those financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016 on our consideration of the Alliance'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.

*Bledsoe + Assoc., PLLC*

Edmond, Oklahoma  
November 4, 2016

THE HOMELESS ALLIANCE, INC.

STATEMENTS OF FINANCIAL POSITION

	June 30	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 347,825	\$ 745,634
Contributions receivable, net	525,759	247,543
Fees and grants receivable	93,174	265,479
Prepays and other assets	9,212	9,925
Property and equipment:		
Land	159,400	159,400
Building	6,982,932	5,613,007
Land improvement	72,487	18,539
Furniture and equipment	439,063	385,983
Vehicles	26,909	26,909
Construction in process	-	1,079,421
	<u>7,680,791</u>	<u>7,283,259</u>
Less accumulated depreciation	1,391,424	1,085,322
	<u>6,289,367</u>	<u>6,197,937</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,265,337</u></b>	<b><u>\$ 7,466,518</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 122,095	\$ 362,312
Payroll liabilities	4,825	608
Accrued vacation	37,088	34,293
Pledges payable	350,000	-
Accrued expenses	57	6,071
Debt	567,072	603,065
	<u>1,081,137</u>	<u>1,006,349</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,081,137</u></b>	<b><u>1,006,349</u></b>
<b>NET ASSETS</b>		
Unrestricted	5,105,791	5,143,553
Unrestricted - Board designated	50,000	-
Temporarily restricted	1,028,409	1,306,887
Permanently restricted	-	9,729
	<u>6,184,200</u>	<u>6,460,169</u>
<b>TOTAL NET ASSETS</b>	<b><u>6,184,200</u></b>	<b><u>6,460,169</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 7,265,337</u></b>	<b><u>\$ 7,466,518</u></b>

See notes to financial statements.

THE HOMELESS ALLIANCE, INC.

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND OTHER REVENUES</b>								
Grants	\$ 892,206	\$ 191,970	\$ -	\$ 1,084,176	\$ 998,578	\$ 683,948	\$ -	\$ 1,682,526
Contributions	1,183,475	207,402	-	1,390,877	1,121,864	475,579	-	1,597,443
Program revenue	185,303	-	-	185,303	37,371	-	-	37,371
Contributed services	38,455	-	-	38,455	84,848	-	-	84,848
Investment income (loss)	687	-	-	687	(1,783)	-	154	(1,629)
Net assets released from restrictions	687,579	(677,850)	(9,729)	-	326,180	(325,718)	(462)	-
<b>TOTAL SUPPORT AND OTHER REVENUES</b>	<b>2,987,705</b>	<b>(278,478)</b>	<b>(9,729)</b>	<b>2,699,498</b>	<b>2,567,058</b>	<b>833,809</b>	<b>(308)</b>	<b>3,400,559</b>
<b>EXPENSES</b>								
Program expenses	2,826,942	-	-	2,826,942	2,229,376	-	-	2,229,376
Administrative and general	114,767	-	-	114,767	103,380	-	-	103,380
Fundraising	33,758	-	-	33,758	30,813	-	-	30,813
<b>TOTAL EXPENSES</b>	<b>2,975,467</b>	<b>-</b>	<b>-</b>	<b>2,975,467</b>	<b>2,363,569</b>	<b>-</b>	<b>-</b>	<b>2,363,569</b>
<b>CHANGE IN NET ASSETS</b>	<b>12,238</b>	<b>(278,478)</b>	<b>(9,729)</b>	<b>(275,969)</b>	<b>203,489</b>	<b>833,809</b>	<b>(308)</b>	<b>1,036,990</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>5,143,553</b>	<b>1,306,887</b>	<b>9,729</b>	<b>6,460,169</b>	<b>4,940,064</b>	<b>473,078</b>	<b>10,037</b>	<b>5,423,179</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 5,155,791</b>	<b>\$ 1,028,409</b>	<b>\$ -</b>	<b>\$ 6,184,200</b>	<b>\$ 5,143,553</b>	<b>\$ 1,306,887</b>	<b>\$ 9,729</b>	<b>\$ 6,460,169</b>

See notes to financial statements.

THE HOMELESS ALLIANCE, INC.

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (275,969)	\$ 1,036,990
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	306,102	256,659
Changes in operating assets and liabilities:		
Contributions receivable	(278,216)	(247,543)
Fees and grants receivable	172,305	(71,662)
Prepays and other assets	713	1,686
Accounts payable	(240,217)	(63,696)
Payroll liabilities	4,217	(2,955)
Accrued vacation	2,795	7,927
Pledges payable	350,000	-
Accrued expenses	(6,014)	(4,009)
Net cash provided by operating activities	<u>35,716</u>	<u>913,397</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of fixed assets	(26,396)	(3,240)
Payments on construction in progress	<u>(371,136)</u>	<u>(744,460)</u>
Net cash used in investing activities	<u>(397,532)</u>	<u>(747,700)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on notes payable	(35,993)	(34,303)
Draws on line of credit	100,000	509,032
Payments on line of credit	<u>(100,000)</u>	<u>(509,032)</u>
Net cash used in investing activities	<u>(35,993)</u>	<u>(34,303)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(397,809)	131,394
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>745,634</u>	<u>614,240</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 347,825</u>	<u>\$ 745,634</u>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURE</b>		
Cash paid for interest	<u>\$ 29,305</u>	<u>\$ 34,032</u>

See notes to financial statements.

THE HOMELESS ALLIANCE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Program Expenses	Administrative and General	Fundraising	Total Expenses	Program Expenses	Administrative and General	Fundraising	Total Expenses
Salaries	\$ 611,528	\$ 30,915	\$ 23,029	\$ 665,472	\$ 506,980	\$ 26,400	\$ 21,680	\$ 555,060
Employee benefits	101,231	15,803	3,392	120,426	93,949	356	2,907	97,212
Payroll taxes	51,024	2,906	1,785	55,715	37,905	1,671	1,669	41,245
Day shelter - outsourced staffing	260,157	-	-	260,157	260,157	-	-	260,157
Day shelter - other operations	99,903	-	-	99,903	99,903	-	-	99,903
Depreciation	305,723	379	-	306,102	256,273	386	-	256,659
Grants to other organizations	350,000	-	-	350,000	-	-	-	-
Insurance	35,472	2,653	-	38,125	39,358	2,288	-	41,646
Interest	29,168	137	-	29,305	29,924	4,108	-	34,032
Minor equipment and repairs	53,977	1,435	22	55,434	63,315	-	-	63,315
Occupancy	111,583	3,382	436	115,401	76,504	4,628	566	81,698
Printing and supplies	67,381	2,604	3,511	73,496	29,607	3,306	3,448	36,361
Professional services	239,349	51,441	1,265	292,055	266,155	56,311	265	322,731
Specific assistance	499,080	-	-	499,080	452,200	-	-	452,200
Other	11,366	3,112	318	14,796	17,146	3,926	278	21,350
	<u>\$ 2,826,942</u>	<u>\$ 114,767</u>	<u>\$ 33,758</u>	<u>\$ 2,975,467</u>	<u>\$ 2,229,376</u>	<u>\$ 103,380</u>	<u>\$ 30,813</u>	<u>\$ 2,363,569</u>

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### THE HOMELESS ALLIANCE, INC.

June 30, 2016

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Homeless Alliance, Inc. (the Alliance), was organized in April, 2004 under the laws of the State of Oklahoma as a not-for-profit corporation. The Alliance is dedicated to improving the system of care for the homeless in Oklahoma City through collaboration with government, faith-based, and nonprofit service providers, city government, and local businesses. The ultimate goal of the Alliance is to rally the community to end long-term homelessness in Oklahoma City by both preventing homelessness and increasing the supply of affordable and permanent supportive housing to move those who are currently homeless back into housing. As a means of reaching the goal of ending homelessness, the Alliance envisions a cohesive collaborative and coordinated system of care, utilizing recognized best practices to dramatically improve the services provided to the homeless population. The Alliance seeks to find better ways to help the homeless and make the system more efficient, rational and caring.

The Alliance is supported by public donations, grants and other financial support from private foundations and other grant-making organizations in addition to governmental funding. Members of the Alliance's Board of Directors serve on a voluntary basis receiving no compensation.

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenue is recorded when earned and expenses are recorded when incurred. Revenues earned but not received and expenses incurred but not paid are recorded as receivables and liabilities, respectively, on the statements of financial position. Net assets represent cumulative revenue over expenses incurred.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board's ("FASB") ASC 958 under which the Alliance is required to report information regarding its financial position and activities according to the three classes of net assets as follows:

- Unrestricted net assets – Represents resources that are generally not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. At June 30, 2016 and 2015, the Alliance had \$50,000 and \$0, respectively, of unrestricted net assets designated by the Board of Directors as a reserve.
- Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Alliance and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. At June 30, 2016 and 2015, the Alliance had \$1,028,409, and \$1,306,887, respectively, of temporarily restricted net assets relating to unused contributions designated for specific programs.

## NOTES TO FINANCIAL STATEMENTS--CONTINUED

THE HOMELESS ALLIANCE, INC.

June 30, 2016

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--CONTINUED

#### Basis of Presentation--Continued:

- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Alliance. At June 30, 2016 and 2015, the Alliance had \$0 and \$9,729, respectively, of permanently restricted net assets relating to the Alliance’s beneficial interest in assets held by Communities Foundation of Oklahoma. During the year ended June 30, 2016, Alliance management reclassified these net assets to unrestricted based on subsequent review of the initial contributions that created this asset.

Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets (i.e. donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction in the statement of activities. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any. An allowance for uncollectible receivables is established based on management’s judgment and analysis of credit worthiness of the donors, past collection experience and other relevant factors. The Alliance had \$528,216 and \$250,000 in contributions receivable as of June 30, 2016 and 2015, respectively. An allowance for uncollectible contributions receivable of \$2,457 has been included in the accompanying financial statements as of June 30, 2016 and 2015.

The Alliance reports gifts of land, buildings and equipment as unrestricted support unless donor stipulations specify how the donated assets must be used. Gifts of long-lived assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Alliance reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Alliance considers all highly liquid investments with original maturities of three months or less to be cash equivalents. As of June 30, 2016, the Alliance had no cash equivalents.

## NOTES TO FINANCIAL STATEMENTS--CONTINUED

THE HOMELESS ALLIANCE, INC.

June 30, 2016

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--CONTINUED

Fixed Assets: Property and equipment are carried at cost at the date of acquisition or fair value at the date of donation in the case of gifts, net of accumulated depreciation. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets, which range from one to thirty years. Normal repairs and maintenance expenditures are expensed when incurred.

Functional Expense Allocation: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, indirect costs have been allocated among the programs and supporting services benefited. The allocation of certain indirect expenses between administrative and general, fundraising and program services (the programs conducted by the Alliance) is based on estimates and the determination of the percentage of effort expended by employees and other statistical factors.

Program Revenue: Program revenue consists primarily of rent payments from clients and sales of the Curbside Chronicle magazine.

Tax Status: The Alliance is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

The Alliance evaluates and accounts for their uncertain tax positions, if any, in accordance with U.S. generally accepted accounting principles, including the Alliance's tax position as a tax-exempt not-for-profit entity. Through the Alliance's evaluation of its tax positions, management has determined no uncertain tax positions exist as of June 30, 2016. The Alliance's Form 990 filings for the years ended before June 30, 2013 are no longer subject to examination by taxing authorities.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk: The Alliance has concentrated its credit risk by maintaining deposits at financial institutions which, at times, may exceed federally insured limits. Alliance management does not consider this to be an unreasonable risk of loss. Of the \$354,319 in Alliance bank deposits held at at June 30, 2016, \$104,319 were uninsured and uncollateralized.

Donated Goods and Services: The Alliance receives donated goods and services from a variety of professionals and organizations. The services and facilities are valued at their fair market value.

## NOTES TO FINANCIAL STATEMENTS--CONTINUED

THE HOMELESS ALLIANCE, INC.

June 30, 2016

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--CONTINUED

Reclassifications: Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported changes in net assets or net assets.

Subsequent Events: Subsequent events have been evaluated through November 4, 2016, which is the date the financial statements were available to be issued.

### NOTE B--FEES AND GRANTS

The following agreements have been entered into between the Alliance and the City of Oklahoma City:

Homeless Management Information System (HMIS): All communities, states and tribal entities receiving U.S. Housing and Urban Development ("HUD") funds for the homeless are required to implement an HMIS. The funds are to be used to provide information technology hardware, software and training to agencies that serve the homeless in order to track the progress of individuals receiving services, to share information among agencies on shared clients, and to provide a means to aggregate data on the homeless within the community. Funding is made available under the HUD Supportive Housing Grant Program administered by the City of Oklahoma City (City). The grant is a cost-reimbursement grant totaling \$88,000 for November 1, 2015 through October 31, 2016. This grant requires the Alliance to provide a 25% cash match. The City retains \$4,000 of the entire grant as administrative fees, and the Alliance is allowed administrative expenditures of \$4,000, leaving a net amount for program service expenditures of \$80,000 for the grant period.

Coordinated Case Management: Funding is to provide a coordinated team-based approach to help homeless families and families at risk of becoming homeless move from emergency shelters to secure housing. The program matches case managers from existing local agencies that serve the homeless to provide coordinated care for families in the program. This grant for \$65,542 covers direct financial assistance for rent, security deposits and utility payments and deposits as well as operational costs and quality assurance. The grant requires the Alliance to provide a match of 100%. The funds were made available under the HUD Emergency Solutions Grant Program administered by the City.

Journey Home OKC Chronically Homeless: Funding is to provide case management focused on the chronically homeless population and rent, utilities, security deposits, and supplies needed to get these clients in a home in order to stay housed. Case management services are provided by the Homeless Alliance or local partner agencies in a team-based approach. The program was modeled after the national 100,000 Homes initiative to identify and house medically vulnerable chronically homeless people. This grant is for \$30,000 and requires the Alliance to provide a match of 100%. The funds were made available under the HUD Emergency Solutions Grant Program administered by the City.

## NOTES TO FINANCIAL STATEMENTS--CONTINUED

THE HOMELESS ALLIANCE, INC.

June 30, 2016

### NOTE B--FEES AND GRANTS--CONTINUED

Supportive Housing Program: Funding is provided to lease 20 scattered site units of permanent supportive housing for families meeting the needs guidelines under HUD's Supportive Housing Grant Program and provide case management, life skills, and employment services for these families. The grant term ends on October 31, 2016. The maximum for this grant is \$436,388. This grant requires the Alliance to provide a 25% match for all activities except lease payments. No cash match is required for the funds used for lease payments.

HOME Program Loan: On May 27, 2015, the Alliance entered into a forgivable loan agreement with the City in the amount of \$670,000 to construct 20 units of single room occupancy rental housing for chronically homeless persons at the WestTown campus. HOME funds are provided under the HOME Investment Partnership Act through HUD. The loan requires principal only payments as long as half of the units are used for a period of twenty years to house very low income households that are at or below 50% of the Area Median Income Level. As long as these provisions are met, the loan payments can be deferred under the agreement. If these requirements are not met the loan accrues interest at an annual rate of 1%. Annual payments of \$33,500 are required beginning January 1, 2018 and continue through January 31, 2037 unless the repayment is deferred. Any repayments deferred will be forgiven at the end of twenty years. In accordance with generally accepted accounting principles, loan fund advances were reported as temporarily restricted revenue when received. As of June 30, 2016, \$670,000 had been advanced under the agreement.

CDBG Program Loan: On February 24, 2015, the Alliance entered into a forgivable loan agreement with the City in the amount of \$155,000 to clear and improve the site for construction of 20 units of single room occupancy rental housing units for chronically homeless persons at the WestTown campus. CDBG funds are provided under a Community Development Block Grant through HUD. For twenty years, eleven of the units must be reserved exclusively for rent to chronically homeless persons defined by HUD as either an unaccompanied homeless individual with a disabling condition who has been continuously homeless for a year or more or who has had at least four episodes of homelessness in the past three years. The loan is secured by a mortgage on the property. The loan requires principal only payments as long as 51 % of the units are used for a period of twenty years to house very low income households that are at or below 50% of the area median income level. As long as these provisions are met, the loan payments can be deferred under the agreement. If these provisions are not met, the loan accrues interest at an annual rate of 1%. Annual payments of \$7,750 are required beginning January 1, 2018 and continue through January 31, 2037 unless the repayment is deferred. Any repayments deferred will be forgiven at the end of twenty years. In accordance with generally accepted accounting principles, loan fund advances were reported as temporarily restricted revenue when received. As of June 30, 2016, \$149,412 had been advanced under the agreement.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

THE HOMELESS ALLIANCE, INC.

June 30, 2016

NOTE B--FEES AND GRANTS--CONTINUED

Oklahoma City Housing Authority H30K Program: The Alliance contracted with the Oklahoma City Housing Authority to provide services to promote a trauma informed system of care to support homeless veterans and chronically homeless non-veterans using Pathways to Housing First philosophy of care. The Alliance provides project management for the local community by facilitating communication and consortium building activities, maintaining a central registry of program participants, and verifying client eligibility. The contract term is October 1, 2015 through September 30, 2016. The Alliance receives \$9,583 per month under this contract.

The following is a summary of fees and grants receivable at June 30:

	<u>2016</u>	<u>2015</u>
City of Oklahoma City		
HUD Supportive Grant Program (HMIS)	\$ 7,931	\$ 20,785
Emergency Solutions Grant (JHOKC)	-	10,656
Professional Services Contract	-	47,501
Supportive Housing Program	66,077	21,787
HOME Funds	-	120,064
CDBG Funds	-	10,520
Total City of Oklahoma City	<u>74,008</u>	<u>231,313</u>
Emergency Food and Shelter	-	15,000
Oklahoma City Housing Authority (H3OK)	<u>19,166</u>	<u>19,166</u>
Total	<u>\$ 93,174</u>	<u>\$ 265,479</u>

NOTE C--HOUSING DEVELOPMENT PRIVATE GRANT

On November 6, 2015, the Alliance received a \$500,000 private grant of which \$150,000 was to be used for general operating support and \$350,000 was to be used for housing development. \$350,000 of this total grant was outstanding and is included in contributions receivable as of June 30, 2016. During the year ended June 30, 2016, the Alliance, with the approval of the private grantor, pledged a \$350,000 contribution to Mental Health Association Oklahoma (the "Association") as part of an agreement under which the Association is to apply the funds towards the purchase of a housing complex in Oklahoma City to be used in part for Alliance housing programs. Under this agreement, the Alliance receives no ownership interest in the purchased property. This pledge is included in pledges payable as of June 30, 2016.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

THE HOMELESS ALLIANCE, INC.

June 30, 2016

NOTE D--REVOLVING DRAW PROMISSORY NOTE

On April 15, 2015, the Alliance renewed a revolving draw promissory note dated April 15, 2014 under which up to \$250,000 in financing was available to the Alliance. The note was renewed again on April 15, 2016. Note terms specify an initial interest rate of 6% subject to periodic adjustment to the lending institution's prime rate. Interest payments are required monthly. All outstanding principal and interest is due on April 15, 2017. The note had a \$0 balance at June 30, 2016 and 2015.

NOTE E--NOTE PAYABLE

The Alliance previously refinanced the mortgage note with a local bank for the purchase of the property known as the WestTown Campus. The note is secured by a mortgage lien on the property. Note terms specify an interest rate of 4.75%. The note requires 83 monthly payments of \$5,352 beginning March 20, 2013 and one final payment of \$431,053 on February 20, 2020. The outstanding principal balance at June 30, 2016 is \$567,072.

Expected maturities of notes payable in future fiscal years as of June 30, 2016, are as follows:

2017	\$ 41,388
2018	43,570
2019	45,685
2020	<u>436,429</u>
	<u>\$ 567,072</u>

NOTES TO FINANCIAL STATEMENTS--CONTINUED

THE HOMELESS ALLIANCE, INC.

June 30, 2016

NOTE F--TEMPORARILY RESTRICTED NET ASSETS

Net assets are temporarily restricted for the following purposes at June 30:

	<u>2016</u>	<u>2015</u>
Chronically Homeless	\$ 29,453	\$ 100,951
Construction	-	235,327
Coordinated Case Management	-	15,228
Curbside Chronicle	1,375	-
Fiscal Year 2015 and 2016	125,000	250,000
Fresh Start	2,177	1,970
Kennel and Pet Deposits	26,322	29,163
Loan - CDBG Construction Loan	149,412	71,292
Loan - HOME Construction Loan	670,000	597,656
Other	20,398	-
Permanent Supportive Housing Program	893	1,173
Veteran Programs	3,379	4,127
	<u>\$ 1,028,409</u>	<u>\$ 1,306,887</u>

NOTE G--CONTRIBUTED GOODS AND SERVICES

The Alliance recognizes contribution revenue for certain goods and services received at the estimated fair value of those services. Those services include the following items during the year ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Donated services	\$ 33,005	\$ 4,620
Donated goods and supplies	5,450	80,228
	<u>\$ 38,455</u>	<u>\$ 84,848</u>

NOTE H--RETIREMENT PLAN

On January 1, 2005, the Alliance adopted a Simple Individual Retirement Account (Simple IRA). Employees who earn at least \$5,000 per year are eligible to participate in the plan. The Alliance contributes a matching amount equal to the employee's contribution, up to 3% of the employee's compensation. For the periods ended June 30, 2016 and 2015, the Alliance's contribution totaled \$13,413 and \$12,237, respectively.

## NOTES TO FINANCIAL STATEMENTS--CONTINUED

THE HOMELESS ALLIANCE, INC.

June 30, 2016

### NOTE I--COMMITMENTS AND CONTINGENCIES

In the normal course of its operations, the Alliance receives grant funds from various federal and state agencies. The grant programs are subject to audit by the agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. The Alliance's management does not believe that any liability for reimbursement which may arise as the result of such audits will be material to its operations.

### NOTE J--RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In August 2015, the FASB issued Accounting Standards Update ("ASU") 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. The amendments in this ASU defer the effective date of FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* for all entities by one year. The provisions of FASB ASU 2014-09 affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets and supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)*, and most industry-specific guidance. FASB ASU 2014-09 also supersedes some cost guidance included in *Revenue Recognition--Construction-Type and Production-Type Contracts (Subtopic 605-35)*. FASB ASU 2014-09's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. In doing so, entities will need to use more judgment and make more estimates than under today's guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In March 2016, the FASB issued ASU 2016-08 further clarifying aspects of Topic 606 which discuss the core principle of Topic 606 in order to improve the operability and understandability of the implementation guidance on principal versus agent considerations. For nonpublic entities, the provisions of FASB ASU 2014-09 are effective for fiscal years beginning after December 15, 2018. For nonpublic entities, early adoption of FASB ASU 2014-09 is also permitted for fiscal years beginning after December 15, 2016.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958)*. ASU 2016-14 changes the financial statement presentation and disclosure requirements for not-for-profit entities with the intention of providing more relevant information about their resources and changes in those resources to financial statement users. ASU 2016-14 decreases the number of net asset classifications from three to two based on the existence of donor restrictions. ASU 2016-14 also requires additional disclosures regarding board-designations on net assets, "underwater" endowment funds, liquidity and methods used to allocate costs to functional expense categories. Investment expenses must be presented net of investment returns, and reconciliations from the direct method of presenting operating cash flows to the indirect is no longer required. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

THE HOMELESS ALLIANCE, INC.

June 30, 2016

NOTE J--RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS--CONTINUED

Management is currently evaluating the impact the adoption of FASB 2014-09, 2016-08 and 2016-14 will have on the Alliance's financial statements in future reporting periods.

**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  
The Homeless Alliance, Inc.  
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America ("GAAP") 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 Homeless Alliance, Inc. (the "Alliance"), 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 for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 4, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Alliance'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 the Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alliance'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 Alliance'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Alliance'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*.

## **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 Alliance'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.

*Bledsoe + Assoc., PLLC*

Edmond, Oklahoma  
November 4, 2016

**Independent Auditors' Report on Compliance for  
Each Major Program and on Internal Control over  
Compliance Required by the Uniform Guidance**

To the Board of Directors  
Homeless Alliance, Inc.  
Oklahoma City, Oklahoma

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

We have audited Homeless Alliance, Inc.'s (the "Alliance") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Alliance's major federal program for the year ended June 30, 2016. The Alliance's major federal program is 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 major federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Alliance's major federal 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 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 the Alliance'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 Alliance's compliance with those requirements.

### ***Opinion on Each Major Federal Program***

In our opinion, the Alliance 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, 2016.

### **Report on Internal Control over Compliance**

Management of the Alliance 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 Alliance'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 Alliance'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 or significant deficiencies. However, material weaknesses or significant deficiencies 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 Schedules of Expenditures of Federal and City Awards**

We have audited the financial statements of the Alliance which comprise the statement of financial position as of June 30, 2016 and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. We issued our report thereon dated November 4, 2016, which contained an unmodified opinion on the financial statements as of and for the year ended June 30, 2016, and the related notes to the financial statements. Our audit was performed for the purpose of forming our opinion on the financial statements that collectively comprise the Alliance's financial statements.

The accompanying schedule of expenditures of federal awards, as required by the Uniform Guidance, and the schedule of expenditures of city awards are presented for the purposes of additional analysis and are not a required part of the basic 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 basic 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 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 schedules of expenditures of federal and city awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Bledsoe + Assoc., PLLC*

Edmond, Oklahoma  
November 4, 2016

THE HOMELESS ALLIANCE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor and Program Title	Federal CFDA Number	Federal Award Expenditures
<u><i>U.S. Department of Housing and Urban Development</i></u>		
Pass-through the City of Oklahoma City:		
Continuum of Care Program 2014-2015	14.267	\$ 224,353
Continuum of Care Program 2015-2016	14.267	<u>196,412</u>
Total Continuum of Care Program		420,765
HMIS Technical Assistance 2014-2015	14.261	19,854
HMIS Technical Assistance 2015-2016	14.261	<u>82,486</u>
Total HMIS Technical Assistance		102,340
Emergency Solutions Grant Program	14.231	95,611
Community Development Block Grant - Loan	14.218	149,412
HOME Investment Partnerships Program - Loan	14.239	<u>670,000</u>
<i>Total U.S. Department of Housing and Urban Development</i>		1,438,128
<u><i>U.S. Department of Health and Human Services</i></u>		
Pass-through the Oklahoma Department of Mental Health and Substance Abuse Services: Oklahoma City Housing Authority		
Substance Abuse and Mental Health Services Administration:		
Substance Abuse and Mental Health Services: H30K Project	93.243	<u>114,996</u>
<i>Total U.S. Department of Health and Human Services</i>		<u>114,996</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b><u>\$ 1,553,124</u></b>

See accompanying notes to schedule of expenditures of federal awards.

THE HOMELESS ALLIANCE, INC.

SCHEDULE OF EXPENDITURES OF CITY AWARDS

Year ended June 30, 2016

<u>City Grantor and Program Title</u>	<u>City Award Expenditures</u>
<i>City of Oklahoma City</i>	
Coordinated Case Management	\$ 10,000
Agency Fees	<u>190,000</u>
<i>Total City of Oklahoma City</i>	<u>200,000</u>
<b>TOTAL EXPENDITURES OF CITY AWARDS</b>	<b><u><u>\$ 200,000</u></u></b>

See accompanying notes to schedule of expenditures of city awards.

NOTES TO SCHEDULE OF EXPENDITURES OF  
FEDERAL AND CITY AWARDS

June 30, 2016

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(1) **BASIS OF PRESENTATION**

The schedules of expenditures of federal and city awards are summaries of the Alliance's federal and city award programs presented on the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The information in the schedule of expenditures of federal awards is presented in accordance with the requirements of the Uniform Guidance. Because the schedules present only a selected portion of the operations of the Alliance, the schedules are not intended to and do not present the financial position, changes in net assets, or cash flows of the Alliance.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedules of expenditures of federal and city awards are reported on the modified 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.

The Alliance allocates certain indirect expenses to its programs based on management estimates and the determination of the percentage of effort expended by employees and other statistical factors. In this manner, the Alliance has elected not to use the 10 percent de minimis indirect cost rate, which is allowed in accordance with the Uniform Guidance.

(3) **SUB-RECIPIENTS**

Of the expenditures presented in the schedule of expenditures of federal awards, the Alliance did not provide any awards to sub-recipients.

(4) **OUTSTANDING FEDERAL LOANS**

As of June 30, 2016, the Alliance has outstanding federal loan obligations of \$149,412 under the Community Development Block Grant and \$670,000 under the HOME Investment Partnerships Program. These amounts on the schedule of expenditures of federal awards include cumulative, outstanding loan proceeds as of June 30, 2016. Both loans are forgivable based on the Alliance's continued compliance with specified grant requirements.

HOMELESS ALLIANCE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

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**SECTION I--SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

- a. The independent auditors' report on the financial statements expressed an unmodified opinion.
- b. No significant deficiencies or material weaknesses were reported in the independent auditors' report on internal control over financial reporting.
- c. No instances of noncompliance material to the financial statements of the Alliance were disclosed during the audit.

**Federal Awards**

- d. No significant deficiencies or material weaknesses in internal control over compliance with requirements applicable to major federal awards programs were reported in the independent auditors' report on internal control over compliance.
- e. The independent auditors' report on compliance for the major federal awards programs expressed an unmodified opinion.
- f. The audit disclosed no findings required to be reported by the Uniform Guidance.
- g. The federal award program tested as a major program includes:

**CFDA Number**

HUD - Continuum of Care Program	14.267
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- h. A threshold of \$750,000 was used to distinguish between Type A and Type B programs, as those terms are defined by the Uniform Guidance.
- i. For the year ended June 30, 2016, the Alliance met the criteria to be a low-risk auditee, as described by the Uniform Guidance.

HOMELESS ALLIANCE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--CONTINUED

June 30, 2016

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**SECTION II--FINANCIAL STATEMENT FINDINGS**

Compliance Findings

None

Internal Control Findings

None

**SECTION III--FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Compliance Findings

None

Internal Control Findings

None

**PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

Compliance Findings

None

Internal Control Findings

None