

**TOLEDO LUCAS COUNTY
HOMELESSNESS BOARD**

FINANCIAL STATEMENTS

Years ended December 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Toledo Lucas County Homelessness Board
Toledo, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Toledo Lucas County Homelessness Board (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 these financial statements based on our audits. We conducted our audits 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 Toledo Lucas County Homelessness Board as of December 31, 2013, and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2014, on our consideration of Toledo Lucas County Homelessness Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Toledo Lucas County Homelessness Board's internal control over financial reporting and compliance and is a restricted use financial statement.

DeMarco & Associates CPAs LLC

Perrysburg, Ohio
June 13, 2014

TOLEDO LUCAS COUNTY HOMELESSNESS BOARD
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

ASSETS	2013	2012
Assets		
Cash	\$ 120,470	\$ 209,366
Grants receivable	330,247	118,839
Deposits	925	925
Prepaid rent	-	925
Total assets	\$ 451,642	\$ 330,055
LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities		
Accounts payable	\$ 371,513	\$ 269,789
Accrued payroll and payroll liabilities	13,793	5,176
Total liabilities	385,306	274,965
Net assets (deficit)		
Unrestricted	(14,808)	16,409
Temporarily restricted	81,144	38,681
Total net assets (deficit)	66,336	55,090
Total liabilities and net assets	\$ 451,642	\$ 330,055

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

TOLEDO LUCAS COUNTY HOMELESSNESS BOARD
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2013 and 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Totals</u>
Revenue and other support			
Grants and contracts	\$ 7,660	\$ 1,413,364	\$ 1,421,024
Contributions	65	-	65
Miscellaneous	-	-	-
Net assets released from restrictions	<u>1,370,901</u>	<u>(1,370,901)</u>	<u>-</u>
 Total revenue and other support	 1,378,626	 42,463	 1,421,089
Expenses			
Program services	1,342,583	-	1,342,583
Management and general	62,783	-	62,783
Fundraising	<u>4,477</u>	<u>-</u>	<u>4,477</u>
 Total expenses	 1,409,843	 -	 1,409,843
 Change in net assets	 (31,217)	 42,463	 11,246
Net assets - beginning of year	<u>16,409</u>	<u>38,681</u>	<u>55,090</u>
Net assets - end of year	<u>\$ (14,808)</u>	<u>\$ 81,144</u>	<u>\$ 66,336</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Totals</u>
Revenue and other support			
Grants and contracts	\$ 50,349	\$ 625,801	\$ 676,150
Contributions	-	-	-
Miscellaneous	613	-	613
Net assets released from restrictions	<u>676,044</u>	<u>(676,044)</u>	<u>-</u>
Total revenue and other support	727,006	(50,243)	676,763
Expenses			
Program services	494,554	-	494,554
Management and general	41,223	-	41,223
Fundraising	<u>2,919</u>	<u>-</u>	<u>2,919</u>
Total expenses	538,696	-	538,696
Change in net assets	188,310	(50,243)	138,067
Net assets - beginning of year	<u>(171,901)</u>	<u>88,924</u>	<u>(82,977)</u>
Net assets - end of year	<u>\$ 16,409</u>	<u>\$ 38,681</u>	<u>\$ 55,090</u>

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

TOLEDO LUCAS COUNTY HOMELESSNESS BOARD
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2013 and 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2013 Totals</u>
Pass-through	\$ 673,696	\$ -	\$ -	\$ 673,696
Direct client assistance	435,581	-	-	435,581
Salaries and wages	158,026	47,450	3,553	209,029
Payroll taxes	15,588	4,681	351	20,620
Professional/Program Fees	11,753	-	-	11,753
Rent	8,581	2,576	193	11,350
Training and education	8,325	-	-	8,325
Licenses	8,107	-	-	8,107
Employee benefits	5,602	1,682	126	7,410
Telephone and internet	2,871	862	65	3,798
Supplies	2,722	817	61	3,600
Miscellaneous	2,488	747	56	3,291
Mileage and parking	1,974	592	44	2,610
Insurance	-	2,599	-	2,599
Repairs and maintenance	1,643	411	-	2,054
Printing and advertising	1,978	-	-	1,978
Community events	1,189	-	-	1,189
Payroll processing fees	828	249	19	1,096
Office equipment	638	-	-	638
Postage	602	-	-	602
Workers compensation	391	117	9	517
Membership fees	-	-	-	-
Implementation staff	-	-	-	-
Total expenses	\$ <u>1,342,583</u>	\$ <u>62,783</u>	\$ <u>4,477</u>	\$ <u>1,409,843</u>

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2012 Totals</u>
Pass-through	\$ -	\$ -	\$ -	-
Direct client assistance	229,370	-	-	229,370
Salaries and wages	98,428	29,554	2,213	130,195
Payroll taxes	9,288	2,789	209	12,286
Professional/Program Fees	55,463	-	-	55,463
Rent	8,391	2,520	189	11,100
Training and education	5,418	-	2	5,420
Licenses	18,268	-	-	18,268
Employee benefits	7,583	2,277	171	10,031
Telephone and internet	2,225	668	50	2,943
Supplies	454	136	10	600
Miscellaneous	2,031	610	46	2,687
Mileage and parking	92	27	-	119
Insurance	-	1,911	-	1,911
Repairs and maintenance	423	106	-	529
Printing and advertising	1,919	-	-	1,919
Community events	-	-	-	-
Payroll processing fees	1,012	304	23	1,339
Office equipment	2,845	-	-	2,845
Postage	1,196	-	-	1,196
Workers compensation	267	80	6	353
Membership fees	-	241	-	241
Implementation staff	49,881	-	-	49,881
Total expenses	\$ <u>494,554</u>	\$ <u>41,223</u>	\$ <u>2,919</u>	\$ <u>538,696</u>

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

TOLEDO LUCAS COUNTY HOMELESSNESS BOARD
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 11,246	\$ 138,067
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(211,408)	(29,909)
Prepaid rent	925	(925)
Increase (decrease) in:		
Accounts payable	101,724	(54,339)
Accrued payroll and payroll liabilities	8,617	2,224
Net cash provided by (used in) operating activities	(88,896)	55,118
Net increase (decrease) in cash	(88,896)	55,118
Cash at beginning of year	209,366	154,248
Cash at end of year	\$ 120,470	\$ 209,366

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

TOLEDO LUCAS COUNTY HOMELESSNESS BOARD
NOTES TO FINANCIAL STATEMENTS

Note A - Significant accounting policies

Nature of operations

Toledo Lucas County Homelessness Board (the "Organization") is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization was formed for the purpose of providing fair and equitable services to the Toledo Lucas County Continuum of Care and its members in preventing, reducing and ending homelessness.

The organization manages funding provided by the U.S. Department of Housing and Urban Development through the Continuum of Care. The Continuum of Care projects are administered by eleven agencies and provide homeless individuals and families with a wide range of services to assist them in achieving and maintain permanent housing. These projects include: Transitional Housing, Permanent Supporting Housing, Support Services, and Leasing Subsidy; Outreach, and, Medical Transport.

Basis of presentation

The Organization's financial statements have been prepared on the accrual basis of accounting. Under this method of accounting, revenues and expenses are identified with a specific period of time and are recorded as incurred without regard to the date of receipt or the payment of cash.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Concentration

The Organization received approximately 21% and 62% of its annual budget from Ohio Development Services Agency for 2013 and 2012, respectively. The Organization received approximately 68% and 25% of its annual budget from pass through funding City of Toledo for 2013 and 2012, respectively.

Cash and cash equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

Grants receivable/accounts payable

Grants receivable/accounts payable included flow through funding for the Emergency Solutions Grant Program (ESG) which reflects the cost reimbursements submitted (receivable) and program expense payable for program flow through disbursements.

Property and equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$5,000 in accordance with OMB Circular A-122. Purchased property and equipment are recorded at cost; donated furniture and fixtures are recorded at estimated fair value at the date of donation. Depreciation is provided at rates based on the estimated useful lives of the assets using the straight-line method.

**TOLEDO LUCAS COUNTY HOMELESSNESS BOARD
NOTES TO FINANCIAL STATEMENTS**

Note A - Significant accounting policies (continued)

Classification of net assets

Net assets of the board are classified as unrestricted and temporarily restricted. The description of the net asset categories are as follows:

Unrestricted net assets – unrestricted net assets are those that bear no external restrictions as to use or purpose.

Temporarily restricted net assets – temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose.

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain expenses have been allocated among the programs and support services on several basis and estimates. Although the method of allocation used are considered, other methods could be used that would produce different amounts.

Income and other taxes

The Internal Revenue Service has determined that the Organization is qualified as a charity exempt under Section 501(c)(3) of the Internal Revenue Code, and has also determined that the Organization is publicly supported. As a result, no provision for federal or state income taxes has been made.

FASB ASC #740, *Income Taxes*, requires entities to disclose in their financial statements the nature of any uncertainties in their tax position. Tax years including the year ended July 1, 2010 and later are subject to examination by tax authorities. Areas that IRS and state tax authorities consider when examining tax returns of a charity include, but may not be limited to, tax-exempt status and the existence and amount of unrelated business income. The Organization does not believe that it has any uncertain tax positions with respect to these or other matters, and has not recorded any unrecognized tax benefits or liability for penalties and interest.

The Organization is not aware of any circumstances or events that make it reasonably possible that tax benefits may increase or decrease within 12 months of the date of these financial statements.

Subsequent events

Subsequent events were evaluated through June 13, 2014, the date the financial statements were issued.

Note B – Accounts receivable

Accounts receivable at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Allocation/ESG – United Way	\$ 33,063	\$ 64
ESG – City of Toledo (flow through)	263,603	26,249
ESG/CDBG – City of Toledo	60,581	92,526
Total	<u>\$ 330,247</u>	<u>\$ 118,839</u>

**TOLEDO LUCAS COUNTY HOMELESSNESS BOARD
NOTES TO FINANCIAL STATEMENTS**

Note C – Accounts payable

Accounts payable at December 31, 2013 and 2012 consisted of the following:

	2013	2012
HPRP – City of Toledo	\$ 98,599	\$ 241,320
ESG – City of Toledo (flow through)	263,603	26,249
Trade payables	9,312	2,220
Total	<u>\$ 371,513</u>	<u>\$ 269,789</u>

Note D - Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Ohio Development Services Agency	\$ 52,124	\$ 38,681
Department of Housing and Urban Development	29,020	-
Total	<u>\$ 81,144</u>	<u>\$ 38,681</u>

Note E - Lease commitment

The Organization rents its premises from an unrelated party under an operating lease agreement expiring in September 30, 2015. Rent is \$1,050 per month through December 31, 2014. Rent is \$1,082 per month beginning January 1, 2015 through September 30, 2015. The Organization is not responsible for any internal modifications or alterations to the premises under this rental agreement. Rent expense for the years ended December 31, 2013 and 2012 was \$11,350 and \$11,100, respectively. Future minimum lease payments under this lease are as follows:

Year Ending December 31	Amount
2014	\$ 12,600
2015	9,738
Total	<u>\$ 22,338</u>