

CONNECTIONS FOR THE HOMELESS, INC.

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2017 AND 2016**

TOGETHER WITH AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Connections for the Homeless, Inc.:

We have audited the accompanying financial statements of Connections for the Homeless, Inc. (the Organization) (a non-profit Organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2017, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

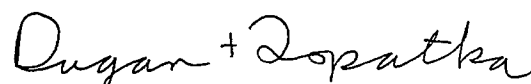
Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017 on our consideration of the Organization'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 the 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 the Organization's internal control over financial reporting and compliance.



DUGAN & LOPATKA

CONNECTIONS FOR THE HOMELESS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
CURRENT ASSETS:		
Cash and cash equivalents - Unrestricted	\$ 193,474	\$ 69,366
- Restricted	53,204	56,861
Receivables - Government	325,744	464,340
- Pledges	-	62,000
- Clients and others	4,989	25,191
Prepaid expenses	45,632	19,840
Total current assets	623,043	697,598
PROPERTY AND EQUIPMENT:		
Land	71,155	71,155
Buildings	687,052	687,052
Leasehold improvements	178,899	162,981
Furniture and fixtures	3,168	3,168
Office equipment	285,664	276,884
Vehicles	86,848	104,452
Total property and equipment	1,312,786	1,305,692
Less - Accumulated depreciation	(528,906)	(509,016)
Net property and equipment	783,880	796,676
OTHER ASSETS:		
Deposits	69,169	55,954
	\$ 1,476,092	\$ 1,550,228

The accompanying notes are an integral part of this statement.

EXHIBIT 1

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES:		
Notes payable, current maturities	\$ 8,957	\$ 75,000
Line of credit	-	250,000
Accounts payable	84,697	46,834
Accrued payroll and related expenses	45,795	58,546
Government advances	6,727	4,207
Client security deposits	7,307	7,298
Deferred revenue	2,500	-
Total current liabilities	155,983	441,885
LONG-TERM LIABILITIES:		
Notes payable, net of current maturities	41,043	-
Total liabilities	197,026	441,885
COMMITMENTS		
NET ASSETS:		
Unrestricted - Undesignated	225,338	(24,199)
- Board designated	74,460	72,713
Temporarily restricted	979,268	1,059,829
Total net assets	1,279,066	1,108,343
	<u>\$ 1,476,092</u>	<u>\$ 1,550,228</u>

CONNECTIONS FOR THE HOMELESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017		2016			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE:						
Contributions	\$ 827,025	\$ 277,016	\$ 1,104,041	\$ 666,404	\$ 320,980	\$ 987,384
Emergency Food and Shelter National Board Program	34,297	-	34,297	40,705	-	40,705
U.S. Department of Housing and Urban Development	909,729	-	909,729	932,557	-	932,557
Illinois Department of Human Services	558,755	-	558,755	249,423	-	249,423
City of Evanston	282,500	-	282,500	294,577	-	294,577
Northfield Township	4,014	-	4,014	4,099	-	4,099
City of Des Plaines	3,716	-	3,716	2,009	-	2,009
Cook County Department of Planning and Development	18,632	-	18,632	369	-	369
United Way	50,000	-	50,000	50,000	-	50,000
Client rental payments	69,802	-	69,802	74,713	-	74,713
Investment income (loss)	(203)	-	(203)	671	-	671
Special events, net expenses of \$74,080 and \$83,010 for 2017 and 2016, respectively	313,103	-	313,103	179,062	-	179,062
Other income	7,216	-	7,216	7,489	-	7,489
Donated services	2,310	-	2,310	3,920	-	3,920
Total support and revenue	3,080,896	277,016	3,357,912	2,505,998	320,980	2,826,978
RECLASSIFICATIONS:						
Net assets released upon satisfaction of purpose restrictions	357,577	(357,577)	-	360,458	(360,458)	-

The accompanying notes are an integral part of this statement.

CONNECTIONS FOR THE HOMELESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017		2016		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
FUNCTIONAL EXPENSES:					
Program services	\$ 2,534,095	\$ -	\$ 2,534,095	\$ -	\$ 2,184,527
Management and general	301,922	-	301,922	-	370,510
Fundraising	351,172	-	351,172	-	295,548
Total functional expenses	3,187,189	-	3,187,189	-	2,850,585
CHANGE IN NET ASSETS	251,284	(80,561)	170,723	(39,478)	(23,607)
NET ASSETS, Beginning of year	48,514	1,059,829	1,108,343	1,099,307	1,131,950
NET ASSETS, End of year	\$ 299,798	\$ 979,268	\$ 1,279,066	\$ 1,059,829	\$ 1,108,343

The accompanying notes are an integral part of this statement.

EXHIBIT 3

CONNECTIONS FOR THE HOMELESS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in total net assets	\$ 170,723	\$ (23,607)
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:		
Depreciation	62,241	59,508
Loss on disposal of fixed assets	480	-
(Increase) decrease in receivables	220,798	(279,350)
(Increase) decrease in prepaid expenses	(25,792)	16,825
(Increase) in deposits	(13,215)	(12,517)
Increase in accounts payable	37,863	670
(Decrease) in accrued payroll and related expenses	(12,751)	(82,819)
Increase in government advances	2,520	915
Increase in client security deposits	9	194
Increase in deferred revenue	2,500	-
	<u>445,376</u>	<u>(320,181)</u>
Net cash provided by (used in) operating activities		
	<u>(49,925)</u>	<u>(32,855)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(25,000)	5,000
	<u>(250,000)</u>	<u>250,000</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net cash provided by (used in) financing activities	<u>(275,000)</u>	<u>255,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	120,451	(98,036)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>126,227</u>	<u>224,263</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 246,678</u>	<u>\$ 126,227</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	<u>\$ 8,340</u>	<u>\$ 11,445</u>

The accompanying notes are an integral part of this statement.

CONNECTIONS FOR THE HOMELESS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
 (with comparative totals for 2016)

	Program Services				Supporting Services		2016 Total
	Prevention and Rapid Rehousing Services	Community and Shelter Services	Housing Services	Total Program Services	Management and General	Fundraising	
FUNCTIONAL EXPENSES:							
Salaries and benefits	\$ 94,027	\$ 382,503	\$ 612,581	\$ 1,089,111	\$ 127,896	\$ 277,988	\$ 1,494,995
Professional fees	16,307	53,250	50,338	119,895	97,736	8,357	225,988
Dues, subscriptions and training	250	2,358	4,282	6,890	4,151	5,035	16,076
Occupancy	18,731	61,057	86,442	166,230	30,273	27,748	224,251
Repairs and maintenance	176	4,659	11,106	15,941	454	341	16,736
Insurance	1,373	5,587	9,478	16,438	7,952	1,116	25,506
Specific assistance to individuals	216,445	11,285	802,864	1,030,594	13	-	1,030,607
Transportation	359	2,325	9,986	12,670	1,887	-	14,557
Small equipment and supplies	2,223	10,807	9,403	22,433	8,847	21,908	53,188
Recruiting	11	479	686	1,176	457	561	2,194
Depreciation	145	4,488	44,440	49,073	11,490	1,678	62,241
Interest expense	-	-	917	917	7,423	-	8,340
Bank and credit card fees	30	-	363	393	821	4,547	5,761
In-kind donations expense	-	1,550	685	2,235	75	-	2,310
Miscellaneous	-	-	99	99	2,447	1,893	4,439
Total functional expenses	\$ 350,077	\$ 540,348	\$ 1,643,670	\$ 2,534,095	\$ 301,922	\$ 351,172	\$ 3,187,189
							\$ 2,850,585

The accompanying notes are an integral part of this statement.

CONNECTIONS FOR THE HOMELESS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Connections for the Homeless, Inc. (the Organization) is a not-for-profit Illinois corporation exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization was formed in 1984 to work with communities in northern Cook County to prevent and eliminate homelessness. The Organization provides housing, shelter and supportive services including food, clothing, health and mental health care, employment and education. The Organization also does community outreach and education about homelessness, and provides volunteer opportunities for those concerned about homelessness. The Organization's programs are as follows:

Prevention and Rapid Rehousing Services are deployed when individuals and families face an immediate threat of homelessness or have recently become homeless. Typical financial aid such as payments for rent and utilities in arrears, security deposit, and move-in fees are provided, along with short-term case management to assist clients in budgeting and other planning to ensure they are able to maintain their housing.

Community and Shelter Services - Street and community outreach, drop-in services, and shelter for homeless individuals are provided through Community and Shelter Services. Along with case management, individuals are assessed for various housing programs, and are provided with basic needs such as food, hygiene products, showers, clothing, and laundry facilities. Hilda's Place, a shelter for men, is an 18-bed overnight shelter that provides a safe and healing environment for homeless individuals for up to one year. Case managers, a nurse practitioner, a psychiatrist, and volunteer physicians work with participants to address physical and mental health issues that may impact them and partner with them to work toward more permanent housing solutions.

Housing Services - The Agency runs several permanent and transitional housing programs for youth, individuals, and families. Youth programming takes place through congregate living in a home-like environment that is staffed 24 hours per day. The agency also operates a tenant-based rental assistance program which provides financial support for rent and utilities for families in the Evanston/Skokie school districts. The goal of these transitional programs is to prepare participants for independent living after graduation. For families and chronically homeless individuals impacted by a disability, the agency provides permanent supportive housing through scattered-site apartments rented in various communities. Comprehensive case management services are provided to address the complex needs of these populations, with a goal of keeping participants safely and stably housed.

The financial statements were available to be issued on October 26, 2017, with subsequent events being evaluated through this date.

Accounting Method -

The financial statements are maintained on the accrual basis of accounting which recognizes revenue as it is earned and expenses as they are incurred.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Presentation -

Financial statement presentation follows the recommendations of the Accounting Standards Codification for Financial Statements of Not-for-Profit Organizations. Under this codification, the Organization is required to report information regarding its financial position and activities according to three classes of net assets, which are unrestricted, temporarily restricted and permanently restricted net assets.

Unrestricted Net Assets are net assets that are not subject to donor-imposed stipulations or that the Board has designated for program expansion and reserves. The Board has designated \$74,460 and \$72,713 as of June 30, 2017 and 2016, respectively, for the Supportive Housing Program, which consists of rent collected from clients as part of the program.

Temporarily Restricted Net Assets are net assets subject to donor-imposed stipulations that may or will be met, whether by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets are net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization did not receive any permanently restricted funds during the years ended June 30, 2017 and 2016.

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 reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Organization considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Concentration of Risk -

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash and deposits with high credit quality financial institutions; however, deposits may exceed the federally insured limits in various banks from time to time.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Receivables -

Receivables represent grants due to the Organization from governmental agencies or from clients. The Organization has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Property and Equipment -

Expenditures for property and equipment are capitalized at cost or at fair market value if donated. The Organization capitalizes all capital expenditures of \$2,500 or more, unless it is paid by State funds, then it is \$500 or more. Depreciation is computed on the straight-line method over estimated useful lives of the assets as follows:

Buildings	27.5 years
Leasehold improvements	5 - 27 years
Furniture and fixtures	3 - 10 years
Office equipment	2 - 10 years
Vehicles	4 - 5 years

Donated Property and Equipment -

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Restricted and Unrestricted Public Support and Revenue -

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Public support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Federal grant awards are classified as government advances until expended for the purposes of the grants because they are conditional promises to give.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Donated Services -

The Organization has conformed with the Accounting Standards Codification for *Accounting for Contributions Received and Contributions Made* in regards to donated services. This provision prohibits the recording of donated services unless they create or enhance a nonfinancial asset or are specialized skills that would have been purchased if they were not donated. For the years ended June 30, 2017 and 2016, the Organization received donated services valued at \$2,310 and \$3,920, respectively, for Hilda's Place Homeless Shelter.

Functional Allocation of Expenses -

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

Income Taxes -

The Organization has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

The Organization files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2013. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

Comparative Financial Information -

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Reclassification -

Certain prior year amounts have been reclassified to be consistent with current year presentation.

(2) PLEDGES RECEIVABLE:

Included in pledges receivable are the following unconditional promises to give:

	<u>2017</u>	<u>2016</u>
Pledges for programs	\$ -	\$ 62,000
Less - Unamortized discount	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$ -</u>	<u>\$ 62,000</u>

(2) PLEDGES RECEIVABLE: (Continued)

Amount due in -		
Less than one year	\$ -	\$ 62,000
One to five years	-	-
	<u>\$ -</u>	<u>\$ 62,000</u>

(3) LINE OF CREDIT:

The Organization has a \$300,000 line of credit from a bank for periodic working capital requirements. The credit line is secured by all business assets. Amounts borrowed on the line of credit bear interest at prime (4.25% prime rate as of June 30, 2017) with a minimum interest rate of 4%. The credit agreement expires in December, 2017. At June 30, 2017 and 2016, there were outstanding borrowings of \$-0- and \$250,000, respectively, against the line of credit.

(4) NOTES PAYABLE:

Payable to a bank -		
Bearing interest at 5.5%, with monthly interest payments, secured by a building and due in June, 2017. In 2017, this note was refinanced to a new interest, payment and maturity date.		
	\$ -	\$ 25,000
Bearing interest at 5.5%, with monthly interest payments, secured by a building and due in June, 2017. In 2017, this note was refinanced to a new interest, payment and maturity date.		
	-	25,000
Bearing interest at 5.5%, with monthly payments of \$478, principal and interest, secured by a building and due in June, 2022.	25,000	-
Bearing interest at 5.5%, with monthly payments of \$478, principal and interest, secured by a building and due in June, 2022.	25,000	-
No monthly principal payment, unsecured, interest free and due in December, 2016	-	<u>25,000</u>
Total notes payable	50,000	75,000
Less - current portion long-term debt	<u>8,957</u>	<u>75,000</u>
Long-term debt	<u>\$ 41,043</u>	<u>\$ -</u>

(4) NOTES PAYABLE: (Continued)

Future minimum principal payments are as follow -

2018	\$	8,957
2019		9,462
2020		9,996
2021		10,559
2022		<u>11,026</u>
	\$	<u>50,000</u>

(5) COMMITMENTS:

Operating Leases -

The Organization has an operating lease for office space which expires in July, 2022. Under the lease agreement, the Organization is responsible for the incremental increase of real estate taxes and utilities.

The Organization leases facilities for its program and some office space that is renewed annually with annual rent increases, and currently expired on June 30, 2017.

Total rent expense for these leases for the years ended June 30, 2017 and 2016 was \$105,259 and \$105,374, respectively.

The future minimum rental commitments for operations are as follows:

2018	\$	94,176
2019		96,785
2020		97,019
2021		99,010
2022		99,466
Thereafter		8,323

The Organization also leases various space on behalf of tenants. The leases expire at various dates through September, 2018. Rental assistance provided on these properties was \$476,932 and \$407,811 for the years ended June 30, 2017 and 2016, respectively. Future minimum rental commitments for rental assistance consist of \$107,346 for 2018.

(6) TEMPORARILY RESTRICTED NET ASSETS:

On September 30, 2011, the Organization received two properties located in Skokie, Illinois from the Illinois Housing Development Authority. The fair value of the two properties totaled \$758,207. As part of the agreement, for a period of 15 years, the Organization will provide affordable rentals for the benefit of low income persons which have less or equal to 50% of the area median income on these two properties.

(6) TEMPORARILY RESTRICTED NET ASSETS: (Continued)

Temporarily restricted net assets are comprised of the following:

	<u>2017</u>	<u>2016</u>
Program restricted funds -		
Family Supportive Housing Services	\$ 11,646	\$ 10,932
Hilda's Place Homeless Shelter	14,380	27,860
Entry Point Outreach	1,376	6,744
Permanent Supportive Housing	6,071	11,460
Youth Our House	40,661	263
Development	995	200
Administrative	16,463	31,069
Health services	39,732	54,368
Education and Employment	41,878	120,729
Other	<u>47,859</u>	<u>37,997</u>
	221,061	301,622
Land and buildings	<u>758,207</u>	<u>758,207</u>
	<u>\$ 979,268</u>	<u>\$ 1,059,829</u>

(7) FUTURE COMMITTED REVENUE:

The Organization has received the following future commitments from granting agencies as of June 30, 2017:

	<u>Term</u>	<u>Grant Amount</u>	<u>Advanced or Earned as of June 30, 2017</u>	<u>Funding Available</u>
<u>U.S. Department of Housing and Urban Development</u>				
<u>Continuum of Care Grants -</u>				
Permanent Housing #4	12/01/16-11/30/17	\$ 126,598	\$ 85,306	\$ 41,292
Permanent Housing Merged	02/01/17-01/31/18	214,517	99,250	115,267
Permanent Housing Ex #3	02/01/17-01/31/18	122,571	47,852	74,719
Family Merged	05/01/17-04/30/18	460,521	89,957	370,564
<u>City of Evanston -</u>				
Evanston MHB	01/01/17-12/31/17	45,000	26,275	18,725
Evanston HOME	06/01/17-12/31/20	250,000	16,687	233,313
Evanston HOME	06/01/16-12/31/18	250,000	138,833	111,167
McKinney ESG	07/01/16-06/30/18	118,625	47,516	71,109
<u>Housing Forward -</u>				
Continuum of Care	11/01/16-10/31/17	<u>49,000</u>	<u>13,354</u>	<u>35,646</u>
		<u>\$ 1,636,832</u>	<u>\$ 565,030</u>	<u>\$ 1,071,802</u>

(8) RETIREMENT PLAN:

The Organization has a 403(b) retirement plan, which allows all employees to defer payment of taxes on a portion of their salary by making contributions to the plan through payroll deductions. The Organization does not make matching contributions.

(9) CONCENTRATIONS:

For the years ended June 30, 2017 and 2016, the Organization had approximately 44% and 42%, respectively, of its total support and revenue from a combination of funding from the U.S. Department of Housing and Urban Development and the Illinois Department of Human Services.

For the year ended June 30, 2016, approximately 12% of the contribution revenue was received from one donor.

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Gwen S. Henry

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*

To the Board of Directors of
Connections for the Homeless, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Connections for the Homeless, Inc. (the Organization) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flow and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2017.

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 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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*

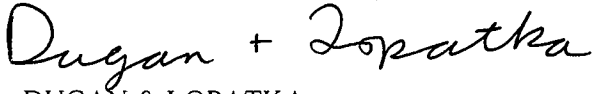
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 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.


DUGAN & LOPATKA

Wheaton, Illinois
October 26, 2017

Dugan & Lopatka

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

To the Board of Directors of
Connections for the Homeless, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Connections for the Homeless, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. The Organization's major federal programs are 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

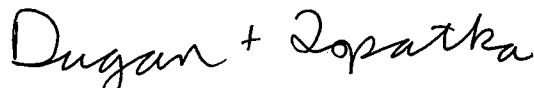
Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the type 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 program and to test and report on internal control over compliance in accordance with 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, material weaknesses may exist that have not been identified.

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


DUGAN & LOPATKA

CONNECTIONS FOR THE HOMELESS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/ Program Title/Pass-Through Grantor	Federal CFDA Number	Pass- Through Number	Total Program Expenditures
Department of Housing and Urban Development:			
Continuum of Care Program	14.267		\$ 404,557
Continuum of Care Program	14.267		89,957
Continuum of Care Program	14.267		14,652
Continuum of Care Program	14.267		60,448
Continuum of Care Program	14.267		42,302
Continuum of Care Program	14.267		85,306
Continuum of Care Program	14.267		13,354
Continuum of Care Program Pass-Through Housing Forward	14.267		113,257
Continuum of Care Program	14.267		99,250
Continuum of Care Program	14.267		923,083*
Emergency Solution Grants Program -			
City of Evanston Department of Health and Human Services	14.231		47,516
City of Evanston Department of Health and Human Services	14.231		16,654
Cook County Department of Planning and Development	14.231	E15-06	7,837
Home Investment Partnership Program -			
City of Evanston	14.239		72,007
City of Evanston	14.239		12,262
City of Evanston	14.239		138,333
City of Evanston	14.239		16,687
City of Evanston Community Development Block Grant	14.218		167,282
City of Evanston Community Development Block Grant	14.218		8,750
Total Department of Housing and Urban Development			1,171,122
Department of Homeland Security:			
Emergency Food and Shelter National Board Program -			
United Way of Metropolitan Chicago	97.024	Phase 34	14,700
Emergency Food and Shelter National Board Program -			
United Way of Metropolitan Chicago	97.024	Phase 33	19,597
Total Department of Homeland Security			34,297
Total expenditures of federal awards			\$ 1,205,419

* Major program

CONNECTIONS FOR THE HOMELESS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Note A - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal award activity of Connections for the Homeless, Inc. (the Organization) 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* 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 the Organization, it is not intended to and does not represent the financial position, changes in net assets, or cash flows of the Organization.

Note B - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rates:

The Organization has elected not to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D - Non-Cash Awards:

The Organization did not have any outstanding federal loans or loan guarantees or insurance at June 30, 2017, and did not receive any federal non-cash awards during the year ended June 30, 2017.

CONNECTIONS FOR THE HOMELESS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

PART 1: SUMMARY OF AUDIT RESULTS -

1. The auditor's report expresses an unmodified opinion on the financial statements of Connections for the Homeless, Inc.
2. There were no material weaknesses disclosed during the audit of the financial statements. No significant deficiencies related to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of Connections for the Homeless, Inc. were disclosed during the audit.
4. There were no significant deficiencies in internal control over compliance disclosed during the audit of the major federal award programs. There were no material weaknesses disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Connections for the Homeless, Inc. expresses an unmodified opinion on all major federal programs.
6. There are no audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a).
7. The programs tested as major programs included:

Continuum of Care Program	14.267
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8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Connections for the Homeless, Inc. was determined to be a low-risk auditee.

PART 2: FINDINGS - FINANCIAL STATEMENTS AUDIT (GAGAS) -

There were no audit findings or questioned costs.

PART 3: AUDIT FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT -

There were no audit findings or questioned costs.