

**SOUTHEASTERN MASS VETERANS
HOUSING PROGRAM, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR
SEPTEMBER 30, 2015)**

SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
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(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2015)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Southeastern Mass Veterans Housing Program, Inc.
New Bedford, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Southeastern Mass Veterans Housing Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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.

Board of Directors of
Southeastern Mass Veterans Housing Program, Inc.

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 Southeastern Mass Veterans Housing Program, Inc. as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Southeastern Mass Veterans Housing Program, Inc. 2015, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 9, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, 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 February 14, 2017, on our consideration of Southeastern Mass Veterans Housing Program, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 Southeastern Mass Veterans Housing Program, Inc. internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

New Bedford, Massachusetts
February 14, 2017

SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016
(WITH COMPARITIVE TOTALS AS OF SEPTEMBER 30, 2015)

ASSETS	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 24,476	\$ 94,128
Accounts and Grants Receivable, Net of Allowance for Doubtful Accounts of \$0 in 2016 and \$3,261 in 2015	232,393	207,164
Prepaid Expenses and Deposits	15,896	14,011
Total Current Assets	272,765	315,303
PROPERTY AND EQUIPMENT		
Land	332,700	332,700
Buildings	1,218,573	1,218,573
Improvements	730,574	726,574
Vehicles	97,530	97,530
Furniture and Equipment	113,830	113,830
Total	2,493,207	2,489,207
Less: Accumulated Depreciation	(1,014,435)	(940,347)
Net Property and Equipment	1,478,772	1,548,860
Total Assets	\$ 1,751,537	\$ 1,864,163
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$ 80,000	\$ -
Accounts Payable	3,259	33,225
Accrued Expenses	40,025	42,825
Current Maturities of Long-Term Debt	50,375	47,353
Total Current Liabilities	173,659	123,403
LONG-TERM LIABILITIES		
Long-Term Debt, Net of Current Maturities and Deferred Financing Costs of \$13,015 in 2016 and 2015	763,415	812,034
Other Liabilities	5,871	3,496
Total Liabilities	942,945	938,933
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted Net Assets	808,592	907,730
Temporarily Restricted Net Assets	-	17,500
Total Net Assets	808,592	925,230
Total Liabilities and Net Assets	\$ 1,751,537	\$ 1,864,163

See accompanying Notes to Financial Statements.

SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARITIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	2016	2015
UNRESTRICTED NET ASSETS		
REVENUES		
Program Fees	\$ 132,260	\$ 118,428
Grants and Contracts Income	1,213,298	1,316,784
Fundraising Income	16,205	23,682
Contributions	40,939	152,026
Case Management Fees	13,276	1,308
Donated Goods and Services	28,362	25,376
Other Income	12,560	15,047
Net Assets Released from Restrictions for Operating Purposes	17,500	35,500
Total Revenues	1,474,400	1,688,151
EXPENSES		
Program Services:		
Transition House	798,828	739,707
Graduate Houses	316,728	308,620
Network House	108,037	175,383
Supportive Services to Veteran Families	207,308	203,536
Supporting Services:		
Management and General	134,960	140,932
Fundraising	7,677	8,155
Total Expenses	1,573,538	1,576,333
Excess (Deficiency) of Revenue Over Expenses	(99,138)	111,818
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ (99,138)	\$ 111,818

See accompanying Notes to Financial Statements.

SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARITIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS		
Excess (Deficiency) of Revenue Over Expenses	\$ (99,138)	\$ 111,818
Increase (Decrease) in Unrestricted Net Assets	(99,138)	111,818
TEMPORARILY RESTRICTED NET ASSETS		
Grants Restricted for Operating Purposes	-	17,500
Release of Temporarily Restricted Net Assets	<u>(17,500)</u>	<u>(35,500)</u>
Decrease in Temporarily Restricted Net Assets	<u>(17,500)</u>	<u>(18,000)</u>
CHANGE IN NET ASSETS	(116,638)	93,818
Net Assets - Beginning of Year	<u>925,230</u>	<u>831,412</u>
NET ASSETS - END OF YEAR	<u>\$ 808,592</u>	<u>\$ 925,230</u>

See accompanying Notes to Financial Statements.

SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARITIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	Program Services					Management	Fundraising	2016	2015
	Transition House	Graduate Houses	Network House	Support Services to Veteran Families	Total				
Employee Compensation and Related Expenses	\$ 513,224	\$ 175,988	\$ 72,414	\$ 173,647	\$ 935,273	\$ 46,515	\$ -	\$ 981,788	\$ 893,968
Occupancy	94,319	70,308	15,649	6,902	187,178	22,950	-	210,128	263,262
Other Program/Operating Expenses	90,215	21,996	10,942	12,741	135,894	400	-	136,294	139,806
Subcontract Expense	-	-	-	-	-	-	7,677	7,677	8,155
Direct Administrative Expense	46,343	32,735	2,967	3,516	85,561	56,589	-	142,150	156,924
Other Expense	12,049	1,642	612	1,118	15,421	5,992	-	21,413	41,124
Depreciation Expense	42,678	14,059	5,453	9,384	71,574	2,514	-	74,088	73,094
Total	\$ 798,828	\$ 316,728	\$ 108,037	\$ 207,308	\$ 1,430,901	\$ 134,960	\$ 7,677	\$ 1,573,538	\$ 1,576,333

See accompanying Notes to Financial Statements.

SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARITIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (116,638)	\$ 93,818
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	74,088	79,680
Provision for Bad Debts	7,658	14,996
(Increase) Decrease in Assets:		
Accounts Receivable	(32,887)	(72,117)
Prepaid Expenses	(1,885)	(8,422)
Increase (Decrease) in Liabilities:		
Accounts Payable	(29,965)	11,926
Accrued Expenses	(3,001)	7,225
Other Liabilities	2,575	3,496
Net Cash Provided (Used) by Operating Activities	(100,055)	130,602
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of Property and Equipment	(4,000)	(142,609)
Net Cash Used by Investing Activities	(4,000)	(142,609)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	-	80,246
Payments on Long-Term Debt	(45,597)	(36,979)
Proceeds from Line of Credit	80,000	-
Net Cash Provided by Financing Activities	34,403	43,267
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(69,652)	31,260
Cash and Cash Equivalents - Beginning of Year	94,128	62,868
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 24,476	\$ 94,128
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 34,063	\$ 37,043

See accompanying Notes to Financial Statements.

SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS

Southeastern Mass Veterans Housing Program, Inc. (the Agency) is a Massachusetts nonprofit corporation organized and incorporated in 1990. The Agency provides social services primarily to veterans in the Southeastern area of Massachusetts.

The Agency provides the following programs:

Transitional Housing – This program reaches into communities of Southeastern Massachusetts serving homeless veterans in need of support and assistance. The types of services include, but are not limited to, independent living skills, rehabilitation and re-integration into the community.

Network House – This program provides support and assistance to homeless males in New Bedford, Massachusetts. The types of services include, but are not limited to, comprehensive case management, support groups, substance abuse counseling and independent living skills. The ultimate goal of this division is to transition the men into independent, permanent housing.

Graduate Houses – These programs provide long-term, single bedroom apartments in houses owned by the Agency. Residents of the graduate houses are required to comply with Agency regulations pertaining to an alcohol and drug free environment.

Supportive Services to Veteran Families (SSVF) – The SSVF Program provides supportive services to very low-income Veteran families living in or transitioning to permanent housing. Staff provides eligible Veteran families with outreach, case management, and assistance in obtaining VA and other benefits, which include:

- Health care services
- Daily living services
- Personal financial planning services
- Transportation services
- Fiduciary and payee services
- Legal services
- Child care services
- Housing counseling services

Southeastern Mass Veterans Housing Program, Inc. also helps participants access time-limited payments to third parties (e.g., landlords, utility companies, moving companies, and licensed child care providers) from the primary SSVF grantee, New England Center for Homeless Veterans, in order to help Veteran families stay in or acquire permanent housing on a sustainable basis.

SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the financial statements follows:

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis and in accordance with the reporting principles of not-for-profit accounting as defined by professional standards.

Donated Goods

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation.

Donated services are recognized as contributions in accordance with professional standards, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Agency. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under Professional Standards was not met.

During the year ended September 30, 2016, the Agency received in-kind donations of food totaling \$28,362.

Display of Net Assets by Class

Financial statement presentation follows the recommendation of professional standards. Under the standards, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. A description of the three net asset categories follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purpose action by the Board of Directors.

Temporarily Restricted Net Assets – Net assets whose use by the Agency is subject to donor-imposed restrictions that can be fulfilled by actions of the Agency pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Agency. No permanently restricted assets were held during 2016 and, accordingly, these financial statements do not reflect any activity related to this class of net assets.

Grants, which are limited to the use of various Agency programs, are reflected as unrestricted revenue if these funds are received and spent during the same year and if they support the activities of the Agency within the limits of the Agency's articles of organization.

SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summarized Comparative Data

The financial statements include certain prior year summarized comparative information. Such information does not constitute a complete presentation and 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 the Agency's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

Cash and Cash Equivalents

The Agency considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides probable uncollectible amounts through a provision of bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts, or upon move-out of the client, are written off through a charge to the valuation allowance and a credit to accounts receivable.

The Agency does not have a policy to accrue interest or to require collateral or other security to secure accounts receivable.

Property and Equipment

The Agency's policy is to capitalize assets whose cost individually (or if part of a related group of assets, cost in the aggregate) is in excess of \$3,000.

Property and equipment are stated at cost if purchased, or fair estimated market value if donated. In the absence of original cost records, appraisals of historical cost or fair market value at the date of gift have been recorded. Additions, improvements and expenditures that significantly extend the economic life of the assets are capitalized. Expenditures for repairs and maintenance are charged to operations in the year the costs are incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	33 – 40 years
Building improvements	16.5 – 27.5 years
Furniture and fixtures	5 years
Equipment	3 – 5 years
Motor vehicles	5 years

SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the assets' carrying amount over the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies, licensed capacity, square footage, etc. Management and general include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Tax Exempt Status

The Agency qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no tax provision for income taxes is reflected in the accompanying financial statements.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within twelve months of September 30, 2016. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Agency's income tax returns are subject to examination by taxing authorities generally for the years ended September 30, 2013, 2014 and 2015.

Advertising

The Agency expenses advertising costs when they are incurred. Advertising expense for the year ended September 30, 2016 was \$2,852.

Use of Estimates

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

Subsequent Events

Subsequent events have been evaluated through February 14, 2017, the date the financial statements were available to be issued. No such events requiring disclosure subsequent to year-end were noted as of February 14, 2017.

SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs

Deferred financing costs totaling \$23,521 incurred for bank financing have been accounted for as a reduction in the related outstanding loans and are being amortized, using the straight-line method, over the life of the loan to interest expense.

Funding/Revenue Recognition

The Agency operates its programs under various cost reimbursement contracts with the Federal Government and the Commonwealth of Massachusetts. Under cost-reimbursement programs, recognition of income takes place as costs related to the services provided are incurred. Billings on the contracts are subject to final approval by the governmental agency.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions for which restrictions are met in the same period the contribution is received are reported as unrestricted.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

NOTE 3 CONCENTRATIONS OF CREDIT RISK

Agency's activities and revenues are as a result of contracts with the Commonwealth of Massachusetts. The Agency's operations are concentrated in the human services provider field. As such, the Agency operates in a heavily regulated environment. The operations of the Agency are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to the Department of Veterans Services.

Such administrative directives, rules and regulations are subject to change by an act of Congress, act of the state legislature or an administrative change mandated by the Department of Veterans Services. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Additionally, contractual funding may decrease or be withdrawn with little notice.

SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3 CONCENTRATIONS OF CREDIT RISK (CONTINUED)

The majority of the Agency's revenue is provided from the Federal Government and the Commonwealth of Massachusetts. The balance is made up of private grants and fees, contributions and other unrestricted revenue. Substantially all of the Agency's trade receivables are due from entities in Massachusetts. All revenue is recorded at the estimated net realizable amounts. The following is a summary of the sources of revenue and monies owed to the Agency as of September 30, 2016:

	Revenue	Accounts Receivable
Commonwealth of Massachusetts	48 %	79 %
Federal - Direct or Passed Through	33 %	8 %
Private Fees	9 %	- %
Contributions and Other	10 %	13 %
Totals	100 %	100 %

The Agency maintains its cash in deposits at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposits at FDIC insured institutions are insured up to \$250,000 per depositor. At September 30, 2016, there were no uninsured balances.

NOTE 4 MORTGAGES AND NOTES PAYABLE

The Agency's long-term debt consists of the following at September 30:

<u>Description</u>	<u>Amount</u>
Note payable - bank, payable in 360 monthly installments of principal and interest of \$1,725, interest at 6%, secured by property at 20 Willis Street, New Bedford, MA, due August 2022.	\$ 102,344
Note payable - bank, payable in monthly installments of interest only at 7.2% until March 2008, a principal reduction of no less than \$184,950 will be required in the initial year of the loan, thereafter, 168 monthly installments of principal and interest of \$1,331, interest at 7.2%, secured by property at 98 Arnold Street, New Bedford, MA, due March 2022.	76,019
Note payable - bank, payable in monthly installments of interest only at 4.25% until June 2015, followed by principal and interest at 4.25% payments of \$1,486 until May 2020, at which time remaining principal and interest is due, secured by property at 1311 Purchase Street, New Bedford, MA, due August 2023.	231,850

**SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 MORTGAGES AND NOTES PAYABLE (CONTINUED)

<u>Description (Continued)</u>	<u>Amount</u>
Note payable - bank, payable in 240 monthly installments of principal and interest of \$1,129, interest at 4.25%, secured by properties at 717 Country Street, New Bedford, MA, and 53 South Sixth Street, New Bedford, MA, remaining principal and interest due July 2019.	\$ 195,284
Note payable - bank, payable in 84 monthly installments of principal and interest of \$801, interest at 8.74%, secured by the general assets of the Agency, due February 2018.	12,653
Note payable - HAND Corporation, payable in 360 monthly installments of principal and interest of \$126, interest at 3.0% secured by a second mortgage at 717 Country Street, New Bedford, MA, due January 2029.	15,398
Note payable - HAND Corporation, non-interest bearing, secured by a second mortgage at 20 Willis Street, New Bedford, MA. The principal on this note is due and payable on December 16, 2029, or upon the sale, lease, or transfer or change in use of the property, whichever occurs first.	<u>193,257</u>
Total	826,805
Less: Current Maturities of Long-Term Debt	(50,375)
Less: Unamortized Loan Closing Fees	<u>(13,015)</u>
Total	<u><u>\$ 763,415</u></u>

The future minimum principal payments for mortgages and notes payable are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2017	\$ 50,375
2018	47,398
2019	46,378
2020	49,040
2021	51,923
Thereafter	<u>581,691</u>
Total	<u><u>\$ 826,805</u></u>

Interest expense for the year ended September 30, 2016 totaled \$34,063.

The Agency is required to meet certain ratio covenants as detailed in the loan documents.

SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5 LINE OF CREDIT

The Agency obtained a revolving line of credit for working capital with a bank during 2016. The line of credit has a limit of \$125,000 and is renewable annually through April 2021. The line is secured by a second position security interest in 98 Arnold St, New Bedford and all tangible and intangible business assets and bears interest at Wall Street Journal Prime rate plus 0.50% (4.00% as of September 30, 2016). The outstanding balance on the line of credit was \$80,000 as of September 30, 2016.

NOTE 6 COMMITMENTS AND CONTINGENCIES

The Agency entered into an agreement with Community Economic Development Assistance Corporation (CEDAC) in the amount of \$312,533 to provide funding for a building located at 1074 Pleasant Street, New Bedford, Massachusetts prior to fiscal year 2006. The note originally accrued interest at 5% per year simple interest and was to be assessed on a pro rata basis at the end of each month during the first twenty years. On March 16, 2006 the agreement was revised to change the interest rate to 0%.

However, should the lender exercise the right to declare the entire indebtedness due and payable, or if the indebtedness evidenced by the Note which is due on the maturity date is not paid on the maturity date, then in addition to all other rights and remedies of the lender, the Agency agrees that all unpaid amounts shall bear interest until paid at the lesser of the following rates: 1) an annual rate of 10% per annum or 2) the maximum rate of interest which may lawfully be charged or collected on account of such unpaid amounts in accordance with applicable law and the terms and conditions of the general obligation bond(s) by which the loan is funded.

Repayment of the note will only be required in the event that restrictions, as defined in the Note Agreement, are not met. Currently the maturity date of the note is December 2029 which may be extended to 2069 if the property continues to meet the Housing Innovation Fund requirements. The repayment terms can be further extended in additional 10 year increments assuming requirements noted above continue to be met. In addition, to the extent that cash flow generated from the property exceeds 15% of the net operating income from the property in any calendar year, the Agency would be required to pay excess cash flow to CEDAC within 45 days of the end of each calendar year which shall be applied first to interest and thereafter to principal. As of September 30, 2016, no payments were due to CEDAC.

The Agency also holds financing agreements with HAND Corporation in the amounts of \$122,246 and \$56,100, respectively, to provide funding for buildings respectively located at 53 South Sixth Street and 717 County Street, New Bedford, Massachusetts. The notes are non-interest bearing. Repayment of the notes will only be required in the event that restrictions, as defined in the Note Agreement, are not met.

SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6 COMMITMENTS AND CONTINGENCIES (CONTINUED)

During 2015, the Agency received notification that funds in the amount of \$1,000,000 from the Housing Preservation and Stabilization Trust Fund ("HPSTF"), \$1,000,000 from the Housing Innovations Fund Program ("HIF") and \$615,000 from the Housing Stabilization and Investment Trust Fund ("HSITF") have been conditionally reserved by the Department of Housing and Community Development ("DHCD") for permanent mortgage loans for the Twenty Willis Street Project in New Bedford, MA. These funding reservations are conditional upon certain items and events.

The \$615,000 loan will be for a period of 50 years and each of the \$1,000,000 loans will be for a period of 30 years; however, all loans may be extended for up to 10 years under certain conditions with approval by DHCD.

Although these loans are available to pay for construction costs at Twenty Willis Street, no formal closing documents have been executed as of the date of these financial statements.

During 2015, the Agency terminated their relationship with a project developer, which resulted in a settlement reached with that developer during 2016. The Agency will pay \$68,000 per the settlement agreement, contingent on finding a new developer and closing on the above mentioned loans. The Agency has yet to secure a new developer and the funding; as a result, this amount has not been reflected in the financial statements as of September 30, 2016.

NOTE 7 RELATED PARTY TRANSACTIONS

The Agency purchased insurance coverage and health insurance through an individual insurance broker who is currently serving as a member of the board of directors of the Agency. Total payments for these insurance costs were \$100,563 for the year ended September 30, 2016, which includes \$96,896 paid to third party insurance providers represented by the broker. There was no amount due to the related party as of September 30, 2016.

The Agency paid a lawyer who is a member of the board of directors \$2,197 for services provided related to the line of credit obtained during 2016. The amount was paid in full during 2016 and there was no amount due as of September 30, 2016.

The Agency obtained a line of credit from a local bank during 2016. One of members of the board of directors is the Commercial Lending Officer for the bank that funded the line of credit. During 2016, activity on the line of credit included advances of \$80,000 and payment of interest totaling \$222.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors of
Southeastern Mass Veterans Housing Program, Inc.
New Bedford, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southeastern Mass Veterans Housing Program, Inc., which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southeastern Mass Veterans Housing Program, Inc. 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 Southeastern Mass Veterans Housing Program, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Southeastern Mass Veterans Housing Program, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies identified as item 2008-002.

Compliance and Other Matters

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

Southeastern Mass Veterans Housing Program, Inc.'s Response to Findings

Southeastern Mass Veterans Housing Program, Inc.'s response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Southeastern Mass Veterans Housing Program, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



CliftonLarsonAllen LLP

New Bedford, Massachusetts
February 14, 2017

**SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2016**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditor's report issued:
Unmodified
2. Internal Control Over Financial Reporting:
- Material weakness(es) identified? _____yes X none reported
 - Significant deficiencies identified that are not considered to be material weakness(es)? X yes _____no
3. Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Uniform Guidance not applicable.

SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016

Section II - Financial Statement Findings

CURRENT YEAR

See **2008-002** below

PRIOR YEAR

2008-002

Segregation of Duties

Condition: Recording of receipts and bank deposit procedures are not segregated in the Business Office.

Criteria: Internal controls should be in place that segregate these duties to provide reasonable assurance that receipts are recorded and deposited appropriately.

Effect: Because of the absence of segregation of duties, misstatements may occur during the recording and deposit process.

Cause of Condition: Procedures for segregation of duties in the Accounting Manual are not consistently being followed by the Business Office.

Recommendation: Procedures should be implemented requiring the segregation of duties in the Business Office.

Management Response: Segregation of duties are followed whenever practical in the Business Office.

Because of the scheduled hours, sometimes only one person is in the office when receipts are received. The procedures in effect are that a signed receipt is always given for all cash or checks paid in person. A cash receipts journal is maintained, plus a client ledger card is maintained, and the bank deposit must agree with the cash receipts journal.

The vast majority of funds received are direct deposited in the corporate bank account. Of the remaining funds, most are checks – city, private, and client – and there are some cash payments.

We believe there are sufficient overlapping procedures in place to prevent misstatements.

**SOUTHEASTERN MASS VETERANS HOUSING PROGRAM, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

Section III – Federal Award Findings And Responses

Not applicable