

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.

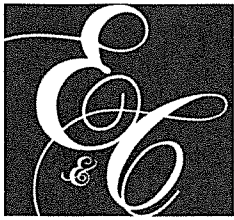
**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS AND REPORTS
REQUIRED BY THE SINGLE AUDIT ACT**

DECEMBER 31, 2014

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.

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EMERICK & COMPANY, P.C.

David Emerick
Rick Hann

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

Board of Directors

Hillcrest Transitional Housing of Kansas, Inc.

We have audited the accompanying financial statements of Hillcrest Transitional Housing of Kansas Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets-modified cash basis as of December 31, 2014 and the related statements of revenue, support and expenses-modified cash basis and functional expenses-modified cash basis 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 assets, liabilities, and net assets of Hillcrest Transitional Housing of Kansas Inc. as of December 31, 2014, and its revenue, support and expenses and functional expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015 on our consideration of Hillcrest Transitional Housing of Kansas 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, 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 Hillcrest Transitional Housing of Kansas Inc.'s internal control over financial reporting and compliance.

Emerich + Company, P.C.

Kansas City, Missouri

November 19, 2015

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
December 31, 2014

	2014
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 339,659
Total Current Assets	339,659
Property, Plant and Equipment	
Land	36,500
Buildings and Improvements, including furniture and equipment	1,925,598
Vehicles	9,455
	1,971,553
Less Accumulated Depreciation	(226,114)
Total Property, Plant and Equipment.	1,745,439
Total Assets	\$ 2,085,098
 LIABILITIES AND NET ASSETS	
Current Liabilities	\$ -
Net Assets	
Unrestricted	2,065,353
Temporarily restricted	19,745
Total Net Assets	2,085,098
 Total Liabilities and Net Assets	\$ 2,085,098

See Notes to Financial Statements

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
STATEMENT OF REVENUE, SUPPORT AND EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions			
Church	\$ 32,315	\$ -	\$ 32,315
Corporate Contributions	17,440	-	17,440
Individual Contributions	28,556	-	28,556
Service Organization Contributions	19,000	-	19,000
Grants received	693,200	-	693,200
Special Events			
Gala Event Receipts	31,009	-	31,009
Walk-a-thon Receipts	5,440	-	5,440
Special Event Expenses	(18,536)	-	(18,536)
Total Special Events	<u>17,913</u>	<u>-</u>	<u>17,913</u>
Rent Income	10,675		10,675
Other income	<u>3</u>	<u>-</u>	<u>3</u>
Total Revenue and Support	<u>819,102</u>	<u>-</u>	<u>819,102</u>
Net Assets Released From Restrictions			
Restrictions Satisfied by Payments	<u>4,248</u>	<u>(4,248)</u>	<u>-</u>
Total Revenues	<u>823,350</u>	<u>(4,248)</u>	<u>819,102</u>
EXPENSES			
Program services:			
Transitional Housing Ministry	680,688	-	680,688
Supporting services:			
Administrative and General	41,228	-	41,228
Fundraising	67,089	-	67,089
Total Expenses	<u>789,004</u>	<u>-</u>	<u>789,004</u>
INCREASE IN NET ASSETS	34,346	(4,248)	30,098
NET ASSETS, BEGINNING OF YEAR	<u>2,031,007</u>	<u>23,993</u>	<u>2,055,000</u>
NET ASSETS, END OF YEAR	<u>\$ 2,065,353</u>	<u>\$ 19,745</u>	<u>\$ 2,085,098</u>

See Notes to Financial Statements

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2014

	Program Service	Supporting Services		Total Expenses
	Transitional Housing Ministry	Administrative and General	Fund Raising	
Salaries and Payroll Taxes	\$ 244,974	\$ -	\$ 43,231	\$ 288,205
Contract Labor	16,875	-	-	16,875
Advocacy Expenses				
Allocated by Affiliate	56,340	23,475	14,085	93,900
Total Personnel Costs	318,189	23,475	57,316	398,980
Office Expense	-	2,525	-	2,525
Maintenance	49,027	-	-	49,027
Travel Expense	18,285	-	-	18,285
Staff Development	2,526	-	-	2,526
Dues and Subscriptions	9,154	-	-	9,154
HMIS	973	-	-	973
Insurance- Health, Disability and Life	33,079	-	5,837	38,916
Insurance - Other	23,083	-	-	23,083
Telephone	4,288	-	-	4,288
Donor Communication	-	-	3,775	3,775
Utilities	103,596	-	-	103,596
Volunteers	430	-	-	430
Depreciation	56,055	-	-	56,055
Bank Charges	-	1,912	-	1,912
Resident Needs	22,696	-	-	22,696
Supplies and Equipment	34,150	11,384	-	45,534
Retirement	909	-	160	1,069
Garden Expense	4,248	-	-	4,248
Miscellaneous	-	1,932	-	1,932
Total Expenses	\$ 680,688	\$ 41,228	\$ 67,089	\$ 789,004

See Notes to Financial Statements

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1: ORGANIZATION

Hillcrest Transitional Housing of Kansas, Inc. (Hillcrest) was incorporated in the state of Kansas in 2005. Hillcrest is a nonprofit transitional housing ministry providing a Christian environment for homeless families for the purpose of helping them become self supporting, self reliant contributors to society. It operates in Wyandotte and Johnson Counties in Kansas.

Hillcrest operates 27 apartments for homeless families and 10 apartments for homeless youth. A case manager provides ongoing personal attention to each resident family during and after their stay at Hillcrest. Each family participates in an educational program that includes training in financial management, homemaking, employment and community living skills. Hillcrest also offers programs for youth residents.

Hillcrest is one of four separate 501(c)(3) corporations engaged directly in the mission of providing housing for the homeless. These corporations are also referred to as affiliates. A fifth entity, Hillcrest Ministries of Mid America, provides program, administrative and fundraising services to the affiliates. All of the corporations have their own Board of Directors. Each Hillcrest Affiliate in good standing is authorized to provide one elected representative to the Board of Hillcrest Ministries of MidAmerica. At all times, a majority of the officers, directors, or trustees of Hillcrest Ministries of MidAmerica will be appointed or elected by the Hillcrest Ministries Affiliates. A Hillcrest Ministries Affiliate is considered to be a member in good standing and entitled to send an elected representative to the Hillcrest Ministries of MidAmerica meetings when the Affiliate has met their financial commitments to Hillcrest Ministries of MidAmerica and agrees to and adheres to a covenant incorporating the principles and policies of Hillcrest Ministries of MidAmerica.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the modified cash basis of accounting of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, certain revenues and support are recognized when received rather than when earned and certain expenses and purchases of assets are recognized when the cash is disbursed rather than when the obligation to make the expenditure is incurred.

Cash and Cash Equivalents

Hillcrest considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2014 cash equivalents consisted of money market accounts.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by Hillcrest has been limited by donors to a specific time period or purpose. Permanently restricted net assets, if any, have been restricted by donors to be maintained by Hillcrest in perpetuity.

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with donor stipulations that limit their use are reported as temporarily restricted revenue and net assets. When a donor stipulated time restrictions 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. Gifts having donor stipulations that are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Contributed Goods and Services

Hillcrest recognizes as contributions those donated services that create or enhance non-financial assets and those that require specialized skills, provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Unpaid volunteers have made significant contributions of their times to Hillcrest's program, administrative and fundraising efforts. The value of this time is not reflected in these statements since it does not meet the above criteria. However, because recognition of contributed services as revenue would also involve recognition of corresponding expenses, there would be no effect on net assets.

Hillcrest also receives significant goods for use in its programs. The value of these is not recorded in the financial statements, unless it is the donation of real property. These goods are used for the benefit of participants in the programs and would be recorded as revenue with a corresponding recording of expense, with no effect on net assets.

Property, Plant and Equipment

Property, plant and equipment is stated at cost and depreciated over the estimated useful lives of the assets using straight-line and accelerated methods of depreciation.

Useful lives are as follows:

Furniture and Equipment	7 years
Real Estate	39 years
Real Estate Improvements	39 years

Income Tax Status and Positions

The organization is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. In addition, the Organization has qualified for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Management has reviewed all sources of revenue and believes that none of the Organization's activities is subject to tax on unrelated income.

As a tax-exempt organization the Organization is required to file a Form 990, *Return for Organization Exempt from Income Tax*, each year with the Internal Revenue Service which assesses its continuing status as a tax-exempt organization.

**HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 – SUMMARY OF SIGNICANT ACCOUNTING POLICIES- CONTINUED

Income Tax Status and Positions-Continued

Management believes the Organization's operations have been conducted in accordance with its tax-exempt status, that the Organization has adequately addressed all tax positions and that there are no unrecorded tax liabilities.

Functional Expenses

The Organization allocates its expenses on a functional basis between its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated based on management's estimate of usage.

Uses of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through November 19, 2015, which is the date the financial statements were available to be issued.

NOTE 3 – RELATED ENTITY-AFFILIATE TRANSACTIONS

Hillcrest has allocated Hillcrest of Mid-America \$93,900 in costs in 2014. Hillcrest of Mid-America performs various programs, administrative and fundraising duties for all of the affiliates.

NOTE 4 – RETIREMENT PLAN

Hillcrest Ministries of Mid-America and all affiliates sponsor a 403b retirement plan. Employees must wait one year before enrolling in the plan with a company match. After one year of employment the company provides a 50% match up to 6% of the employee's salary. A total of \$1,069 was expended on retirement benefits in 2014.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2014, Hillcrest had \$19,745 donor designated for development of the garden.

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 6 – HOUSE LEASE

Hillcrest leases two duplexes, with 3 apartments for the homeless and 1 apartment for live-in staff from St. Luke's Lutheran Church in Kansas City, Kansas. The term is \$1 per unit, per year for 10 years. Hillcrest paid the full amount of the lease at the time of signing.

NOTE 7 – CONCENTRATIONS

For the years ended December 31, 2014, the Organization received approximately 85% from governmental agencies. Governmental funding is subject to change depending on the current administration and the budgetary restraints at the time.

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

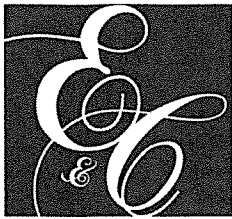
Federal Grantor/Pass-through Program Title	CFDA No.	Expenditures
U.S. Department of Housing and Urban Deveopment:		
Direct Program: THP - SNAP; KS0049L7P011304, Continuum of Care	14.267	\$ 213,810
Direct Program: R/B - SNAP; KS0074L7P011201; Continuum of Care	14.267	99,424
Direct Program: R/B - SNAP; KS0074LP011202; Continuum of Care	14.267	18,341
Direct Program: Youth THP; KS0049L7P011203; Continuum of Care	14.267	<u>20,778</u>
		\$ 352,353
U.S. Department of Housing and Urban Deveopment:		
Passed through the Unified Government, Wyandotte, Kansas:		
Supportive Housing Program; KS0002B7P010800; SHP 08	14.235	93,068
Supportive Housing Program; KS01B701002; SHP 07	14.235	<u>51,079</u>
		144,147
Corporation for National and Community Service:		
Direct Program: Vista - Americorps, 12VSWKS001	94.006	<u>27,909</u>
Total expenditures of federal awards		<u><u>\$ 524,409</u></u>

See auditors' report on supplementary information

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

Note 1 - Basis of Presentation

The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Some amounts in this schedule may differ in presentation from amounts used in the preparation of the general purpose financial statements.



EMERICK & COMPANY, P.C.

David Emerick
Rick Hann

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

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

Hillcrest Transitional Housing of Kansas, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hillcrest Transitional Housing of Kansas, Inc., (Hillcrest) which comprise the statement of assets, liabilities, and net assets-modified cash basis as of December 31, 2014 and the related statements of revenue, support and expenses-modified cash basis and functional expenses-modified cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hillcrest'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hillcrest's internal control. Accordingly, we do not express an opinion on the effectiveness of Hillcrest's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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.

Compliance and Other Matters

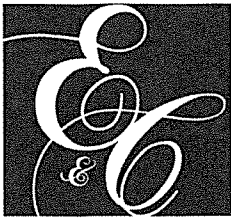
As part of obtaining reasonable assurance about whether Hillcrest's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

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 entity's internal control 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.

Emerich + Company, P.C.

Kansas City, Missouri
November 19, 2015



EMERICK & COMPANY, P.C.

David Emerick
Rick Hann

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors

Hillcrest Transitional Housing of Kansas, Inc.

Report on Compliance for Each Major Federal Program

We have audited Hillcrest Transitional Housing of Kansas, Inc.'s (Hillcrest) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hillcrest's major federal programs for the year ended December 31, 2014. Hillcrest's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hillcrest's major federal programs based on our audit of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Hillcrest'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 Hillcrest's compliance.

Opinion on Each Major Federal Program

In our opinion, Hillcrest 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 December 31, 2014.

Report on Internal Control Over Compliance

Management of Hillcrest is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hillcrest's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on

compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 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 Hillcrest's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Emerich & Company, P.C.

Kansas City, Missouri
November 19, 2015

**HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Section I – Summary of Auditors’ Results

Financial statements

Type of auditors’ report issued:	Unmodified – cash basis
Internal control over financial reporting:	
Any material weakness(es) identified?	No
Any deficiency(ies) in internal control not considered to be material weaknesses identified?	None reported
Any noncompliance material to financial statements noted?	No

Federal Awards

Type of auditors’ report issued on compliance for major programs	Unmodified
Internal control over compliance:	
Any material weakness(es) identified?	No
Any deficiency(ies) in internal control not considered to be material weaknesses identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 Section 510 (a)?	No
Identification of major programs:	
<u>CFDA Number:</u> 14.267	<u>Name of Federal Program or Cluster</u> Continuum of Care
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings None

Section III – Federal Awards Findings and Questioned Costs None

**HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2014**

NOTE APPLICABLE. SINGLE AUDIT NOT REQUIRED IN PRIOR YEAR.