

**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***

Board of Directors
Homecroft, Inc.
245 North Valley Road
Xenia, Ohio 45385

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 Homecroft, Inc. (the Organization), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated March 23, 2017.

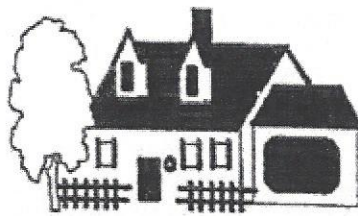
Internal Control over Financial Reporting

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 opinions 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.

HEMECROFT, INC.



**Financial Statements
December 31, 2016**

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedule of operating expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of operating expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating expenses is fairly stated in all material respects in relation to the basic 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 March 23, 2017, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Dayton, Ohio
March 23, 2017

Homecroft, Inc.
Management Discussion and Analysis
For the Fiscal Year Ended December 31, 2016
(Unaudited)

Net position increased \$249,495. This increase was due to the Organization's revenues exceeding expenses. The majority of operating expenses are for personnel services, depreciation and other expenses, which the majority consisted of maintenance and repairs expenses. Assets increased mostly due to current assets increasing \$167,858, while liabilities decreased mostly due to mortgages payable and long-term liabilities decreasing \$115,837.

Table 2 shows the changes in net position for fiscal year 2016 and fiscal year 2015, as well as a listing of revenues and expenses.

Table 2
Change in Net Position

	2016	2015
Operating Revenues:		
Charges for Program Services	\$227,189	\$223,984
In Kind Contributions	383,625	319,223
Grants	380,110	294,523
Fundraiser	30,742	29,298
Rental Income	58,751	59,128
Contributions	19,569	36,211
Non-Operating Revenues:		
Investment earnings	358	563
Other income	7,391	5,927
Total Revenues	<u>1,107,735</u>	<u>968,857</u>
Operating Expenses:		
Personnel Services	383,625	319,223
Materials and Supplies	7,521	8,013
Contractual Services	129,770	132,168
Depreciation	180,045	200,381
Other Expenses	156,166	150,118
Non-Operating Expenses:		
Interest Expense	1,049	3,519
Other Expenses	0	16,176
Loss on the Disposal of Property	64	107,616
Total Expenses	<u>858,240</u>	<u>937,214</u>
Change in Net Position	<u>249,495</u>	<u>31,643</u>
Beginning Net Position	<u>2,968,990</u>	<u>2,937,347</u>
Ending Net Position	<u><u>\$3,218,485</u></u>	<u><u>\$2,968,990</u></u>

Homecroft, Inc.
Statement of Net Position
December 31, 2016

Assets:

Current assets:

Cash and cash equivalents	\$429,103
Investments	199,728
Accounts receivable	1,059
Total current assets	<u>629,890</u>

Non-current assets:

Capital assets not being depreciated	668,811
Capital assets being depreciated, net	<u>2,219,435</u>
Total non-current assets	<u>2,888,246</u>
Total assets	<u>3,518,136</u>

Long-term liabilities:

Unearned grant revenue	<u>299,651</u>
Total liabilities	<u>299,651</u>

Net Position:

Net Investment in Capital Assets	2,888,246
Unrestricted	<u>330,239</u>
Total net position	<u>\$3,218,485</u>

See accompanying notes to the basic financial statements

Homecroft, Inc.
 Statement of Cash Flows
 For the Year Ended December 31, 2016

Cash flows from operating activities:	
Cash received from program services	\$224,395
Cash received from grants and contributions	341,331
Cash received from other revenues	84,556
Cash paid for materials and supplies	(7,521)
Cash paid for contractual services	(129,770)
Cash paid for other expenses	(130,815)
Net cash provided (used) by operating activities	<u>382,176</u>
Cash flows from investing activities:	
Investment earnings	358
Purchase of Investments	(199,728)
Net cash provided (used) by investing activities	<u>(199,370)</u>
Cash flows from noncapital financing activities:	
Other	1,724
Net cash provided (used) by noncapital financing activities	<u>1,724</u>
Cash flows from capital and related financing activities:	
Payments for capital acquisitions	(219,095)
Proceeds from sale of home	59,693
Interest paid on mortgages	(1,049)
Principal paid on mortgages	(53,586)
Net cash provided (used) by capital and related financing activities	<u>(214,037)</u>
Net increase (decrease) in cash and cash equivalents	(29,507)
Cash and cash equivalents beginning of year	<u>458,610</u>
Cash and cash equivalents end of year	<u><u>\$429,103</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$242,859
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	180,045
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	2,363
(Increase) decrease in other asset:	25,351
Increase (decrease) in security deposit	(5,157)
Increase (decrease) in unearned rent	(4,937)
Increase (decrease) in unearned grants	(58,348)
Net cash provided (used) by operating activities	<u><u>\$382,176</u></u>
Schedule of noncash activities:	
Unearned grant revenue recognized	\$62,251
In kind contributions	\$383,625

See accompanying notes to the basic financial statements

Homecroft, Inc.
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2016

Investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's current share price.

For purposes of the statement of cash flows and for presentation on the state of net position, investments with an original maturity of three months or less at the time of purchase are reported as cash equivalents on the financial statements.

Capital Assets

Capital assets utilized by the Organization are reported on the statement of net position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Houses	7 - 27.5 years
Furniture and Fixtures	5 - 15 years
Vehicles	5 years
Buildings – Commercial	7 - 39 years

The Organizations policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2016, no material interest costs were incurred on construction projects for the Organization.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Organization applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The Organization did not have any restricted net position for 2016.

Homecroft, Inc.
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2016

Note 3 - Long-Term Liabilities

	Interest Rate	Maturity Dates	Beginning Balance	Issued	Retired	Ending Balance	Current Portion
Mortgages:							
Huntington #91	3.72%	11/31/16	\$53,586	\$0	(\$53,586)	\$0	\$0
Total Mortgages Payable			<u>\$53,586</u>	<u>\$0</u>	<u>(\$53,586)</u>	<u>\$0</u>	<u>\$0</u>

Note 4 - Deposits and Investments

Deposits

At year-end, the carrying amount of the Organization's deposits was \$429,103 and the bank balance was \$432,877. Of the bank balance, \$0 was exposed to custodial credit risk.

Custodial credit risk is the risk that in the event of bank failure, the Organization's deposits may not be returned to it. Protection of the Organization's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105% of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institutions.

Investments

As of December 31, 2016, the Organization had the following investments:

	Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Negotiable CD's	\$199,603	Level 2	0.20
Money Market Funds	<u>125</u>	N/A	0.00
Total Investments	<u>\$199,728</u>		
Portfolio Weighted Average Maturity			0.20

The Organization categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the Organization's recurring fair value measurements as of December 31, 2016.

Homecroft, Inc.

Notes to Financial Statements

For the Fiscal Year Ended December 31, 2016

Note 9 – Leases

The Organization is the lessor of single family dwellings under operating leases expiring annually. The costs of the leased homes are \$3,034,146 (without land cost) and accumulated depreciation is \$1,278,878. The rental income to be received on the leases for 2017 is \$249,828.

The Organization also leases a commercial building to the Greene County Board of DD under an operating lease, which expires November 30, 2031. The tenant pays a monthly rent of \$4,550. The cost (without land) of the building and improvements is \$688,899 and accumulated depreciation is \$241,939. The rental income to be received on the lease for 2017 is \$54,600.

This Space Intentionally Left Blank

Homecroft, Inc.
 Supplementary Information
 Schedule of Operating Expenses
 For the Year Ended December 31, 2016

Personal services	
In kind services	<u>\$383,625</u>
Materials and supplies	
Fund raiser expenses	7,264
Office supplies	<u>257</u>
	7,521
Contractual services	
Lawn service and snow removal	<u>129,770</u>
	129,770
Other expenses	
Maintenance and repairs	87,913
Insurance	19,673
Homeowners association dues	10,166
Donations	250
Professional services	6,712
Utilities	4,389
Property taxes	5,218
Other miscellaneous expense	<u>21,845</u>
	\$156,166

See auditor's report