

LINK of Hampton Roads, Inc.

FINANCIAL REPORT

JUNE 30, 2017

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 12
COMPLIANCE SECTION	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	13 – 14
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	15 – 16
Schedule of Expenditures of Federal Awards	17
Notes to Schedule of Expenditures of Federal Awards	18
Schedule of Findings and Questioned Costs	19
Summary of Prior Audit Findings	20



11832 ROCK LANDING DRIVE, SUITE 101
NEWPORT NEWS, VA 23606
INFO@DYSCPA.COM
OFFICE: 757-223-9602
FAX: 757-223-9686

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
LINK of Hampton Roads, Inc.
Newport News, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of LINK of Hampton Roads, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and 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 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 principles 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 LINK of Hampton Roads, Inc. as of June 30, 2017, 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

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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2017, on our consideration of LINK of Hampton Roads, 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 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 LINK of Hampton Roads, Inc.'s internal control over financial reporting and compliance.

A. Rohn, Smith & Company

Newport News, Virginia

November 13, 2017

FINANCIAL STATEMENTS

LINK OF HAMPTON ROADS, INC.

Statement of Financial Position

June 30, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	102,148
Grants and contracts receivable		136,344
Payroll advances receivable		3,642
Inventory		<u>48,450</u>
Total current assets		290,584

PROPERTY AND EQUIPMENT, NET

170,498

NON-CURRENT ASSETS

Investments		<u>13,284</u>
Total assets	\$	<u>474,366</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	74,829
Current maturities of long-term debt		<u>16,929</u>
Total current liabilities		91,758

NON-CURRENT LIABILITIES

Long-term debt, less current portion		<u>79,749</u>
Total liabilities		<u>171,507</u>

NET ASSETS

Unrestricted		212,859
Temporarily restricted		<u>90,000</u>
Total net assets		<u>302,859</u>
Total liabilities and net assets	\$	<u>474,366</u>

See accompanying notes.

LINK OF HAMPTON ROADS, INC.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2017

	Unrestricted Funds	Temporarily Restricted Funds	Total
CHANGES IN NET ASSETS			
Revenue and Support			
Donated inventory, supplies, professional services and equipment	\$ 1,257,446	\$ -	\$ 1,257,446
Government grants	942,144	-	942,144
Contract revenue	448,584	-	448,584
United Way and CFC	-	90,000	90,000
Individual and business donations	78,374	-	78,374
Churches and other civic groups	31,755	-	31,755
Special events revenue (net)	11,453	-	11,453
Investment income	1,179	-	1,179
Other revenue	128	-	128
Net assets released from restrictions	90,000	(90,000)	-
Total revenue and support	2,861,063	-	2,861,063
Expenses			
Program services:			
Various programs	2,809,238	-	2,809,238
Support services:			
Management and general	37,997	-	37,997
Fundraising	9,586	-	9,586
Total expenses	2,856,821	-	2,856,821
Changes in net assets	4,242	-	4,242
NET ASSETS			
Beginning	208,617	90,000	298,617
Ending	\$ 212,859	\$ 90,000	\$ 302,859

See accompanying notes.

LINK OF HAMPTON ROADS, INC.
Statement of Functional Expenses
Year Ended June 30, 2017

	CANLINK I	CANLINK IV	People Offering Resources Together (PORT)	Emergency Services	Veterans' Medical Respite Program	Veterans' Rehabilitative Shelter Program	Total Program Services	Management and General	Fund Raising	Total Expenses
Professional services	\$ 550,561	\$ 175,784	\$ 47,054	\$ 2,282	\$ 2,352	\$ 2,352	\$ 780,385	\$ (97)	\$ -	\$ 780,288
Leasing	536,746	46,757	2,776	6,672	16,800	36,700	646,451	-	-	646,451
Emergency services	318	-	1,694	501,936	-	-	503,948	-	1,525	505,473
Personnel and benefits	254,142	20,046	19,192	54,225	34,588	28,333	410,526	23,751	3,257	437,534
Contract labor	79	-	30,968	1,662	146,541	24,341	203,591	-	-	203,591
Food purchases	2,194	58	733	49,669	8,931	8,182	69,767	93	-	69,860
Building occupancy	12,523	1,197	1,452	9,703	12,172	23,363	60,410	1,640	-	62,050
Travel and transportation	5,877	185	18,483	5,342	7,851	3,877	41,615	2,139	118	43,872
Office expenses	6,645	388	1,443	4,506	1,721	1,748	16,451	7,330	3,348	27,129
Insurance	7,906	573	3,161	4,007	1,703	5,559	22,909	-	(525)	22,384
Program supplies	4,707	28	3,906	3,040	2,157	3,223	17,061	1,233	20	18,314
Depreciation	1,811	1,811	1,811	1,811	1,811	1,811	10,866	1,810	1,810	14,486
Telephone	3,376	297	442	1,178	2,500	5,651	13,444	65	-	13,509
Spoiled/damaged goods	-	-	-	6,285	-	-	6,285	-	-	6,285
Laundry services	-	-	5,100	-	90	147	5,337	-	-	5,337
Loss on disposal of assets	32	32	32	32	32	32	192	33	33	258
Total	\$ 1,386,917	\$ 247,156	\$ 138,247	\$ 652,350	\$ 239,249	\$ 145,319	\$ 2,809,238	\$ 37,997	\$ 9,586	\$ 2,856,821

See accompanying notes.

LINK OF HAMPTON ROADS, INC.
Statement of Cash Flows
Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$	4,242
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation		14,486
Loss on disposal of assets		258
Net changes in assets and liabilities:		
Grants and contracts receivable		(2,463)
Payroll advances receivable		563
Inventory		14,544
Accounts payable and accrued expenses		<u>(2,241)</u>
Net cash provided by operating activities		<u>29,389</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisitions of investments		(7,003)
Acquisitions of property and equipment		(51,233)
Proceeds from sale of assets		<u>1,200</u>
Net cash used in investing activities		<u>(57,036)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long-term debt		59,176
Principal payments on long-term debt		<u>(20,853)</u>
Net cash provided by financing activities		<u>38,323</u>
Net increase in cash and cash equivalents		10,676

CASH AND CASH EQUIVALENTS

Beginning		<u>91,472</u>
Ending	\$	<u>102,148</u>

SUPPLEMENTAL CASH FLOW DISCLOSURE

Cash paid for interest	\$	<u>4,507</u>
In-kind donations of inventory, supplies, and professional services recorded as current year support and current year expense	\$	<u>1,257,446</u>

See accompanying notes.

LINK OF HAMPTON ROADS, INC.

Notes to Financial Statements

Year Ended June 30, 2017

NOTE 1. NATURE OF ACTIVITIES

Nature of Activities

Link of Hampton Roads, Inc. (“LINK”) was incorporated January 8, 1991 in Newport News, Virginia with the purpose of providing a collaborative network within the communities of the Greater Virginia Peninsula to reach out to people with physical, emotional and mental needs. To achieve this purpose, LINK provides education, direct services, advocacy, as well as several community outreach programs. A description of the activities of LINK follows:

CANLINK I and IV	The CANLINK programs provide permanent supportive housing services for homeless people with disabilities. Leasing expense represents rent assistance paid to such individuals to help them with their housing costs.
People Offering Resources Together (PORT)	The People Offering Resources Together (PORT) program provides emergency winter shelter, meals, and supportive services for the homeless.
Emergency Services	The Emergency Services program provides food, clothing, medical care, household goods, furnishings and supplies, vehicles, housing assistance, and utility payment assistance for low-income families.
Veterans’ Medical Respite Program	The Veterans Administration partners with LINK to provide nursing care, food, transportation, and supportive services to veterans placed into medical respite, where they may stay for up to six months.
Veterans’ Rehabilitative Shelter Program	The VA Medical Center in Hampton, Virginia contracts with LINK to provide housing and supportive services, transportation, meals, assisting with resume writing and job placement for veterans in need of rehabilitative housing as they recover from illness.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of the statement of cash flows, the organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

LINK OF HAMPTON ROADS, INC.

Notes to Financial Statements

Year Ended June 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Certain financial instruments potentially subject the entity to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents, investments and receivables. LINK places its cash, cash equivalents and investments with high credit quality financial institutions.

Concentrations of credit risk with respect to receivables are generally diversified and LINK performs ongoing credit evaluations and writes off uncollectible amounts as they become known.

Grants and Contracts Receivable

Grants and contracts receivable consist of United Way allocations and designations in addition to amounts due to LINK under the Veterans Administration Transitional Housing contract, as well as amounts due for the final installment of its Community Support Agency Grant (CSAG). LINK believes these amounts are fully collectible.

Certain granting agencies reserve the right to review a grantee's records to confirm funds were used in accordance with the terms of the grant. Management believes all grant funds have been expended in accordance with the terms of the respective grants and no significant amounts will be refundable or held back from future grants. Accordingly, no allowance for uncollectible accounts receivable has been recorded.

Inventory

Inventory consists of contributed food, clothing, household furnishings and supplies for use and distribution in LINK's programs and is valued at their estimated fair value as of the date contributed.

Investment

An endowment fund has been established with the Peninsula Community Foundation of Virginia, Inc. for the long-term protection of the operations of LINK. Income may be drawn each per year in an amount not to exceed 90% of the previous year's interest and earnings for operations.

Property and Equipment

Property and equipment is recorded at cost or at estimated fair value at date of donation. LINK's policy is to capitalize expenditures for items in excess of \$500. Lesser amounts are expensed. Property and equipment are capitalized at cost. Building and improvements are depreciated using the straight-line method over estimated useful lives of forty years. Equipment and vehicles are being depreciated using the straight-line method over estimated useful lives of five to seven years.

LINK OF HAMPTON ROADS, INC.

Notes to Financial Statements

Year Ended June 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions are recorded as unrestricted, when they are currently available for use in the operations and invested in its property and equipment; temporarily restricted, when they are pledged or received with grantor or donor stipulations or time restrictions that temporarily limit the use of the donated assets; or permanently restricted, when they are restricted in perpetuity, the income from which is expendable in accordance with the conditions of the donation. LINK has no assets permanently restricted by donors at June 30, 2017.

Contributed Services and Materials

Contributed inventory, supplies and equipment are recorded at fair value at the date of donation. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

LINK recognizes the estimated fair value of contributed services that meet the following criteria:

- The services rendered either create or enhance non-financial assets.
- The services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contributions.

Based on these criteria, LINK recorded \$720,655 of contributed professional services and \$536,791 of contributed inventory during the year ended June 30, 2017. Contributed professional services consists of budget and credit counseling, mental health services, employment services, and medical and dental services.

In addition, LINK was the recipient of significant amounts of contributed time that did not meet the criteria for recording in the financial statements, but which did enable LINK to carry out its programs. This included time donated by numerous community volunteers for administrative support, fund-raising activities, and program services.

Government Support

Grant revenue provided by the Federal government represents approximately 58% of the revenue and support, not including contributed services and materials. Any significant reduction in the level of this support could have an adverse effect on the entity's programs.

Income Taxes

LINK of Hampton Roads, Inc. (LINK) is a nonprofit entity tax-exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and classified by the Internal Revenue Service as other than a private foundation.

LINK OF HAMPTON ROADS, INC.

Notes to Financial Statements

Year Ended June 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

LINK has adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification 740-10-25, which require that a tax position be recognized or derecognized based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. LINK does not believe its financial statements include any uncertain tax positions.

LINK’s Form 990, *Return of Organization Exempt from Income Tax*, are subject to examination by tax authorities generally for three years after they are filed.

Functional Expenses

Functional expenses have been allocated between program services, management and general, and fund-raising activities based on personnel time and space, supplies and equipment utilized, as well as identification of direct costs for the related activities.

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 certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial. Accordingly, actual results could differ from those estimates.

NOTE 3. INVESTMENTS

At June 30, 2017, these investments consisted of the following:

Equity	\$	7,794
Fixed income		4,927
Cash		421
Other		142
	\$	<u>13,284</u>

Total investment income for the year ended June 30, 2017 consisted of the following:

Investment income	\$	319
Net unrealized gain		<u>860</u>
Total investment income	\$	<u>1,179</u>

LINK OF HAMPTON ROADS, INC.

Notes to Financial Statements

Year Ended June 30, 2017

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2017:

Building and improvements	\$ 163,123
Vehicles	79,097
Equipment	45,208
Land	38,000
	<u>325,428</u>
Less accumulated depreciation	<u>154,930</u>
Property and equipment, net	<u>\$ 170,498</u>

Depreciation expense amounted to \$14,486 for the year ended June 30, 2017.

NOTE 5. LINE OF CREDIT

LINK has a line of credit providing for maximum borrowings of \$80,000. The interest rate is at prime plus 1% (currently 5.25%) and is due on demand. There was no outstanding balance on this line at June 30, 2017. This agreement is due to expire on March 7, 2018.

NOTE 6. LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2017:

Mortgage payable, Old Point National Bank, due in monthly installments of \$1,176 through July 2021 including interest at 5% and a balloon payment of approximately \$28,000 secured by real estate	\$ 74,726
Note payable, Old Point Nation Bank, due in monthly installments of \$275 through March 2021 including interest at 3.75%, secured by a vehicle	14,292
Note payable, Ally Bank, due in monthly installments of \$298 through December 2020 including interest at 6.74%, secured by a vehicle	7,200
Capital lease payable, A T & T, due in monthly installments of \$27 through January 2019 no stated interest, secured by a cellular phone	<u>460</u>
	96,678
Less current portion	<u>16,929</u>
Long-term debt, net of current portion	<u>\$ 79,749</u>

LINK OF HAMPTON ROADS, INC.

Notes to Financial Statements

Year Ended June 30, 2017

NOTE 6. LONG-TERM DEBT (Concluded)

Aggregate maturities required on long-term debt at June 30 are as follows:

2018	\$	16,930
2019		17,611
2020		15,356
2021		15,470
Thereafter		<u>31,311</u>
	\$	<u><u>96,678</u></u>

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$90,000, at June 30, 2017, consist of contributions from the United Way of the Virginia Peninsula, Inc., restricted for LINK's next fiscal year.

NOTE 8. RETIREMENT PLAN

LINK has established a simplified employee pension plan (SEP) that covers all employees who meet certain eligibility requirements. Under the SEP plan, LINK makes contributions to a special individual retirement account (IRA) for each qualifying employee. Contributions made to a SEP IRA are non-forfeitable and subject to the same distribution rules as traditional IRAs. Currently, one employee participates in the plan. Plan expense for the year was \$5,141.

NOTE 9. RELATED PARTY TRANSACTIONS

One member of the Board of Directors was a lessor of apartments to a CANLINK client during the year. Rental payments totaling \$7,675 were made on behalf of this client by LINK to the Board member during the year.

NOTE 10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 13, 2017, the date which the financial statements were available to be issued.

COMPLIANCE SECTION



11832 ROCK LANDING DRIVE, SUITE 101
NEWPORT NEWS, VA 23606
INFO@DYSCPA.COM
OFFICE: 757-223-9602
FAX: 757-223-9686

**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***

To the Board of Directors
LINK of Hampton Roads, Inc.
Newport News, Virginia

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 LINK of Hampton Roads, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LINK of Hampton Roads, Inc.'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 LINK of Hampton Roads, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of LINK of Hampton Roads, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LINK of Hampton Roads, 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*.

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.

A. Robm, Smith & Company

Newport News, Virginia

November 13, 2017



11832 ROCK LANDING DRIVE, SUITE 101
NEWPORT NEWS, VA 23606
INFO@DYSCPA.COM
OFFICE: 757-223-9602
FAX: 757-223-9686

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
LINK of Hampton Roads, Inc.
Newport News, Virginia

Report on Compliance for Each Major Federal Program

We have audited LINK of Hampton Roads, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of LINK of Hampton Roads, Inc.'s major federal programs for the year ended June 30, 2017. LINK of Hampton Roads, Inc.'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 LINK of Hampton Roads, Inc.'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 LINK of Hampton Roads, Inc.'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 LINK of Hampton Roads, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, LINK of Hampton Roads, Inc. 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 LINK of Hampton Roads, Inc. 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 LINK of Hampton Roads, Inc.'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 the 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 LINK of Hampton Roads, Inc.'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A. Robm, Smith & Company

Newport News, Virginia

November 13, 2017

LINK OF HAMPTON ROADS, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

<u>Federal Grantor/State Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Amounts Expended</u>
U.S. Department of Housing and Urban Development		
Permanent Supportive Housing Program for Homeless Persons with Disabilities	14.235 *	<u>\$ 789,282</u>

*Major Federal Program Award

LINK OF HAMPTON ROADS, INC.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of LINK of Hampton Roads, Inc. 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 LINK of Hampton Roads, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of LINK of Hampton Roads, Inc.

NOTE 2. 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

LINK of Hampton Roads, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

LINK OF HAMPTON ROADS, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of LINK of Hampton Roads, Inc. The financial statements were prepared in accordance with GAAP.
2. No significant deficiencies related to the financial statements of LINK of Hampton Roads, Inc. were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of LINK of Hampton Roads, Inc. were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The 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 expresses an unqualified opinion.
6. The program tested as a major program was:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.235	Permanent Supportive Housing Program for Homeless Persons With Disabilities

7. The threshold used to distinguish between Type A and B programs was \$750,000.
8. LINK of Hampton Roads, Inc. did not qualify as a low-risk auditee.

LINK OF HAMPTON ROADS, INC.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Finding 2016-001: Payroll Expense Allocation

Condition: This finding was a significant deficiency stating that payroll expenses were not allocated to the various program classes.

Recommendation: The auditors recommended that Finance personnel should be properly trained in using the Quickbooks software to classify all transactions on a functional basis.

Current Status: LINK of Hampton Roads has corrected the above finding as of July 1, 2016. No similar findings were noted in the June 30, 2017 audit.