

# ***LINK of Hampton Roads, Inc.***

FINANCIAL REPORT

JUNE 30, 2019

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## 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, 2019, 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, 2019, 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 December 8, 2019, 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

December 8, 2019

## **FINANCIAL STATEMENTS**

**LINK OF HAMPTON ROADS, INC.**

Statement of Financial Position

June 30, 2019

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**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	23,746
Grants and contracts receivable		169,010
Payroll advances receivable		1,923
Inventory		<u>50,832</u>

Total current assets 245,511

**PROPERTY AND EQUIPMENT, NET**

484,341

Total assets \$ 729,852

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$	62,301
Unearned revenue		44,727
Current maturities of long-term debt		<u>13,372</u>

Total current liabilities 120,400

**NON-CURRENT LIABILITIES**

Long-term debt, less current portion 363,382

Total liabilities 483,782

**NET ASSETS**

Without donor restrictions		144,070
With donor restrictions		<u>102,000</u>

Total net assets 246,070

Total liabilities and net assets \$ 729,852

See accompanying notes.

**LINK OF HAMPTON ROADS, INC.**  
Statement of Activities and Changes in Net Assets  
Year Ended June 30, 2019

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>CHANGES IN NET ASSETS</b>			
<b>Revenue and Support</b>			
Government grants	\$ 940,539	\$ -	\$ 940,539
Contract revenue	438,547	-	438,547
United Way and CFC	-	102,000	102,000
Individual and business donations	124,862	-	124,862
Churches and other civic groups	35,097	-	35,097
Special events revenue (net)	9,577	-	9,577
Donated inventory, supplies, professional services and equipment	871,985	-	871,985
Other revenue	1,627	-	1,627
Net assets released from restrictions	<u>99,000</u>	<u>(99,000)</u>	<u>-</u>
Total revenue and support	<u>2,521,234</u>	<u>3,000</u>	<u>2,524,234</u>
<b>Expenses</b>			
Program services:			
Various programs	2,484,287	-	2,484,287
Support services:			
Management and general	22,231	-	22,231
Fundraising	<u>9,538</u>	<u>-</u>	<u>9,538</u>
Total expenses	<u>2,516,056</u>	<u>-</u>	<u>2,516,056</u>
Changes in net assets	<u>5,178</u>	<u>3,000</u>	<u>8,178</u>
<b>NET ASSETS</b>			
Beginning	<u>138,892</u>	<u>99,000</u>	<u>237,892</u>
Ending	<u>\$ 144,070</u>	<u>\$ 102,000</u>	<u>\$ 246,070</u>

See accompanying notes.

**LINK OF HAMPTON ROADS, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2019**

	CANLINK	CANLINK	People Offering Resources Together	Emergency	Hospice	Veterans' Medical Respite Program	Veterans' Rehabilitative Shelter Program	Total Program Services	Management and General	Fund Raising	Total Expenses
	I	IV	(PORT)	Services							
Professional services	\$ 60,141	\$ 847	\$ 53,860	\$ 2,032	\$ 4,500	\$ 5,402	\$ 2,740	\$ 129,522	\$ 194	\$ 5	\$ 129,721
Leasing	536,676	46,998	1,728	9,384	-	16,800	37,950	649,536	-	-	649,536
Emergency services	5,305	-	-	709,046	-	994	-	715,345	-	-	715,345
Personnel and benefits	237,878	19,078	54,105	28,423	-	42,624	43,402	425,510	2,085	2,122	429,717
Contract labor	959	2	28,947	16,212	-	155,042	31,663	232,825	7,645	1,760	242,230
Food purchases	750	-	2,202	39,369	-	5,209	6,084	53,614	-	-	53,614
Building occupancy	7,961	748	2,449	6,961	636	23,072	13,430	55,257	135	-	55,392
Travel/transportation	7,072	202	22,462	11,368	103	8,906	19,323	69,436	1,442	-	70,878
Office expenses	3,701	314	1,990	3,213	3,524	3,002	2,417	18,161	4,350	3,250	25,761
Insurance	3,215	357	571	858	-	1,102	1,073	7,176	-	-	7,176
Program supplies	8,954	228	5,367	2,246	233	3,083	5,107	25,218	336	-	25,554
Depreciation	2,401	2,402	2,401	2,402	2,401	2,402	2,401	16,810	2,402	2,401	21,613
Telephone	3,277	355	440	937	-	3,216	5,408	13,633	250	-	13,883
Spoiled/damaged goods	-	-	-	66,725	-	-	-	66,725	-	-	66,725
Interest - other	30	3	5	8	-	10	10	66	3,392	-	3,458
Laundry services	60	-	5,363	-	-	-	30	5,453	-	-	5,453
<b>Total</b>	<b>\$ 878,380</b>	<b>\$ 71,534</b>	<b>\$ 181,890</b>	<b>\$ 899,184</b>	<b>\$ 11,397</b>	<b>\$ 270,864</b>	<b>\$ 171,038</b>	<b>\$ 2,484,287</b>	<b>\$ 22,231</b>	<b>\$ 9,538</b>	<b>\$ 2,516,056</b>

See accompanying notes.



# LINK OF HAMPTON ROADS, INC.

## Statement of Cash Flows

Year Ended June 30, 2019

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### CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$	8,178
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation		21,613
Net changes in assets and liabilities:		
Grants and contracts receivable		(32,668)
Inventory		1,419
Accounts payable and accrued expenses		1,500
Unearned revenue		<u>(3,072)</u>
Net cash used in operating activities		<u>(3,030)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Acquisitions of property and equipment		<u>(328,787)</u>
Net cash used in investing activities		<u>(328,787)</u>

### CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long-term debt		378,938
Principal payments on long-term debt		<u>(81,076)</u>
Net cash provided by financing activities		<u>297,862</u>
Net decrease in cash and cash equivalents		(33,955)

### CASH AND CASH EQUIVALENTS

Beginning		<u>58,587</u>
Ending	\$	<u>24,632</u>

### SUPPLEMENTAL CASH FLOW DISCLOSURE

Cash paid for interest	\$	<u>7,931</u>
In-kind donations of inventory, supplies, and professional services recorded as current year support and current year expense	\$	<u>864,485</u>

See accompanying notes.

# LINK OF HAMPTON ROADS, INC.

## Notes to Financial Statements

Year Ended June 30, 2019

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### 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

#### *Basis of Presentation*

The financial statements of LINK have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require LINK to report information regarding its financial position and activities according to the following net asset classifications:

# LINK OF HAMPTON ROADS, INC.

## Notes to Financial Statements

Year Ended June 30, 2019

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### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of LINK's management and the Board of Directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of LINK or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

#### ***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.

#### ***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 and receivables. LINK places its cash and cash equivalents 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.

# LINK OF HAMPTON ROADS, INC.

## Notes to Financial Statements

Year Ended June 30, 2019

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### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *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.

#### *Contributions*

Contributions are recorded as without donor restrictions when they are currently available for use in the operations and invested in its property and equipment, or with donor restrictions when they are pledged or received with grantor or donor stipulations or time restrictions that temporarily or permanently limit the use of the donated assets. LINK has no assets permanently restricted by donors at June 30, 2019.

#### *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 \$53,605 of contributed professional services and \$810,880 of contributed inventory during the year ended June 30, 2019. 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.

# LINK OF HAMPTON ROADS, INC.

## Notes to Financial Statements

Year Ended June 30, 2019

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### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

#### *Government Support*

Grant revenue provided by the Federal government represents approximately 55% 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 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*, is subject to examination by tax authorities generally for three years after they are filed.

#### *Functional Expenses*

Functional expenses have been allocated on a consistent basis 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. The expenses that are allocated include all expenses that are not directly attributable to a particular program.

#### *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.

**LINK OF HAMPTON ROADS, INC.**  
Notes to Financial Statements  
Year Ended June 30, 2019

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**NOTE 3. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30, 2019:

Building and improvements	\$ 331,549
Vehicles	120,969
Equipment	53,772
Land	<u>169,922</u>
	676,212
Less accumulated depreciation	<u>191,871</u>
Property and equipment, net	<u><u>\$ 484,341</u></u>

Depreciation expense amounted to \$21,613 for the year ended June 30, 2019.

**NOTE 4. 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 6.5%) and is due on demand. There was no outstanding balance on this line at June 30, 2019. This agreement is due to expire on April 17, 2021.

**NOTE 5. LONG-TERM DEBT**

Long-term debt consists of the following at June 30, 2019:

Mortgage payable, Old Point National Bank, due in monthly installments of \$2,593 through April 2024 including interest at 5.95% and a balloon payment of approximately \$306,000 secured by real estate	\$ 359,608
Note payable, Old Point Nation Bank, due in monthly installments of \$353 through January 2024 including interest at 4.5%, secured by a vehicle	<u>17,147</u>
	376,755
Less current portion	<u>13,372</u>
Long-term debt, net of current portion	<u><u>\$ 363,383</u></u>

# LINK OF HAMPTON ROADS, INC.

## Notes to Financial Statements

Year Ended June 30, 2019

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### NOTE 5. LONG-TERM DEBT (Concluded)

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

2020	\$	13,372
2021		14,197
2022		15,010
2023		15,871
2024		<u>318,305</u>
	\$	<u><u>376,755</u></u>

### NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of \$102,000 at June 30, 2019 consist of contributions from the United Way of the Virginia Peninsula, Inc., restricted for LINK's next fiscal year. Net assets of \$99,000 were released from donor restrictions by satisfying the restricted purpose of the passage of time.

### NOTE 7. AVAILABILITY AND LIQUIDITY

The following represents LINK's financial assets at June 30, 2019:

Financial assets at year-end:		
Cash and cash equivalents	\$	23,746
Grants and contracts receivable		169,010
Payroll advances receivable		<u>1,923</u>
Total financial assets		194,679
Less amounts not available to be used within one year:		
Net assets with donor restrictions		102,000
Less net assets with purpose restrictions to be met in less than a year		<u>(102,000)</u>
		<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	\$	<u>194,679</u>

# LINK OF HAMPTON ROADS, INC.

## Notes to Financial Statements

Year Ended June 30, 2019

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### **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 \$5,108.

### **NOTE 9. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 8, 2019, the date which the financial statements were available to be issued.



## **COMPLIANCE SECTION**



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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***

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, 2019, 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 December 8, 2019.

**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

December 8, 2019



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## **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, 2019. 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, 2019.

## 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

December 8, 2019

**LINK OF HAMPTON ROADS, INC.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

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<u>Federal Grantor/State Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>		<u>Federal Amounts Expended</u>
<b>U.S. Department of Housing and Urban Development</b>			
Permanent Supportive Housing Program for Homeless Persons with Disabilities	14.235	*	\$ 778,313
<b>U.S. Department of Homeland Security</b>			
Emergency Food and Shelter National Board Program	97.024		<u>\$ 4,101</u>
Total			<u>\$ 782,414</u>

\*Major Federal Program Award

**LINK OF HAMPTON ROADS, INC.**  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

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**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, 2019. 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 of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, Cost Principles for Non-Profit Organizations, 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 the Uniform Guidance.

**LINK OF HAMPTON ROADS, INC.**  
**Summary of Auditors' Results, Findings and Questioned Costs**  
**Year Ended June 30, 2019**

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**1. Summary of Auditors' results**

- a) 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.
- b) There were no significant deficiencies in internal control over financial reporting disclosed during the audit of the financial statements of LINK of Hampton Roads, Inc.
- c) No instances of noncompliance material to the financial statements of LINK of Hampton Roads, Inc. were disclosed during the audit.
- d) 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.
- e) 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.
- f) 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

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

**2. Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards***

None

**3. Findings and Questioned Costs for Federal Awards**

None