

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

FINANCIAL STATEMENTS

JUNE 30, 2016

(With Independent Auditor's Report Thereon)

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	15
Notes to the Schedule of Expenditures of Federal Awards	16

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Heat and Warmth Fund
(A Nonprofit Organization)

Report on the Financial Statements

We have audited the accompanying financial statements of The Heat and Warmth Fund (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Organization'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 Organization'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 financial position of The Heat and Warmth Fund (a nonprofit organization) as of June 30, 2016, and the results of its changes in net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Heat and Warmth Fund's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects with the audited financial statements from which it has been derived.

Other Matters - Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken 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 October 25, 2016, on our consideration of The Heat and Warmth Fund's (a nonprofit organization) 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 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 Heat and Warmth Fund's (a nonprofit organization) internal control over financial reporting and compliance.



Troy, Michigan
October 25, 2016

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents (notes 1 and 2)	\$ 4,715,647	\$ 10,244,786
Pledges receivable - less allowance for doubtful accounts of \$-0- in 2016 and 2015 (notes 1 and 3)	-	400,000
Accounts receivable (note 1)	1,468,586	506,810
Grants receivable (note 1)	-	5,000,000
Prepaid expenses and other current assets	21,998	44,522
Total current assets	6,206,231	16,196,118
Equipment and software:		
At cost, less accumulated depreciation of \$642,287 in 2016 and \$560,242 in 2015 (notes 1 and 4)	536,844	582,835
Total assets	<u>\$ 6,743,075</u>	<u>\$ 16,778,953</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 240,936	\$ 5,650,786
Accrued liabilities	205,187	110,145
Total current liabilities	446,123	5,760,931
Deferred leasehold incentive (note 4)	227,014	270,068
Net assets:		
Unrestricted	4,701,867	5,637,264
Temporarily restricted (notes 1 and 10)	1,368,071	5,110,690
Total net assets	6,069,938	10,747,954
Total liabilities and net assets	<u>\$ 6,743,075</u>	<u>\$ 16,778,953</u>

See accompanying notes to financial statements

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	2016	2015
Revenue and support from operations:				
Public and corporate support	\$ 2,239,552	\$ 4,422	\$ 2,243,974	\$ 3,835,452
DTE Energy	171,297	-	171,297	-
DTE Gas	-	-	-	5,033,660
Grant revenue	400	655,308	655,708	87,440
Federal grants	41,032	8,500,000	8,541,032	10,247,589
Other foundation support	97,275	-	97,275	196,219
Interest income	2,039	-	2,039	2,391
Miller Buckfire & Co., LLC (note 2)	-	-	-	1,000,000
Fundraising revenue	-	60,000	60,000	50,000
Miscellaneous income	126	-	126	822,079
	<u>2,551,721</u>	<u>9,219,730</u>	<u>11,771,451</u>	<u>21,274,830</u>
Total revenue and support from operations				
Functional expenses:				
Program services	14,887,834	-	14,887,834	18,606,692
Supporting services	1,601,840	-	1,601,840	2,164,070
	<u>16,489,674</u>	<u>-</u>	<u>16,489,674</u>	<u>20,770,762</u>
Total functional expenses (note 1)				
Release of net assets from restrictions	<u>12,962,349</u>	<u>(12,962,349)</u>	<u>-</u>	<u>-</u>
(Decrease) increase in net assets before in-kind contributions	(975,604)	(3,742,619)	(4,718,223)	504,068
In-kind contributions (note 1)	<u>40,207</u>	<u>-</u>	<u>40,207</u>	<u>56,039</u>
(Decrease) increase in net assets	(935,397)	(3,742,619)	(4,678,016)	560,107
Net assets - beginning	<u>5,637,264</u>	<u>5,110,690</u>	<u>10,747,954</u>	<u>10,187,847</u>
Net assets - ending	<u>\$ 4,701,867</u>	<u>\$ 1,368,071</u>	<u>\$ 6,069,938</u>	<u>\$ 10,747,954</u>

See accompanying notes to financial statements

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

	Program Services	Supporting Services			2016	2015
		Management and General	Fundraising	Total Supporting Services		
Salaries and fringes	\$ 1,773,206	\$ 382,480	\$ 290,773	\$ 673,253	\$ 2,446,459	\$ 2,501,847
Assistance to individuals (note 7)	12,046,475	-	-	-	12,046,475	15,417,304
Promotional	-	375	130,183	130,558	130,558	66,657
Printing and postage	30,473	1,408	105,202	106,610	137,083	227,885
Contractual services	453,432	142,850	151,527	294,377	747,809	1,477,345
Travel and meetings	17,567	24,334	3,735	28,069	45,636	108,786
Depreciation	47,715	20,145	14,186	34,331	82,046	2,242
Applicant screening/referral	72,310	290	-	290	72,600	90,851
Telephone	115,579	6,465	13,811	20,276	135,855	131,734
Space rental (note 8)	139,830	78,543	5,065	83,608	223,438	165,756
Supplies	31,195	5,042	6,948	11,990	43,185	97,273
License and fees	176	20	100	120	296	552
Equipment and software	6,316	24,519	1,827	26,346	32,662	185,750
Web expense	47,488	1,448	3,500	4,948	52,436	110,794
Dues and subscriptions	2,392	3,793	669	4,462	6,854	5,258
Support maintenance services	23,516	8,828	7,141	15,969	39,485	35,717
Bank fees	-	10,771	10,062	20,833	20,833	15,765
Insurance	6,395	1,938	969	2,907	9,302	7,972
Bad debt expense	-	8,921	-	8,921	8,921	10,280
Miscellaneous	73,769	3,325	90,440	93,765	167,534	54,371
Charitable contributions	-	-	-	-	-	250
Interest	-	-	-	-	-	334
In-kind expense (note 1)	-	-	40,207	40,207	40,207	56,039
Total functional expenses	\$ 14,887,834	\$ 725,495	\$ 876,345	\$ 1,601,840	\$ 16,489,674	\$ 20,770,762

See accompanying notes to financial statements

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (4,678,016)	\$ 560,107
Adjustments:		
Depreciation	82,046	2,242
Bad debt expense	8,922	10,280
Changes in assets and liabilities:		
Decrease (increase) in pledges receivable	391,078	(410,280)
Decrease (increase) in grants receivable	5,000,000	(5,000,000)
Increase in accounts receivable	(961,776)	(417,415)
Decrease (increase) in prepaid expenses and other current assets	22,524	(1,226)
(Decrease) increase in accounts payable	(5,409,850)	5,559,430
Increase (decrease) in accrued liabilities	95,042	(21,633)
Decrease in deferred leasehold incentive	(43,054)	-
Total adjustments	(815,068)	(278,602)
Net cash (used in) provided from operating activities	(5,493,084)	281,505
Cash flows from investing activities:		
Purchase of equipment and software	(36,055)	(313,318)
Net decrease in cash and cash equivalents	(5,529,139)	(31,813)
Cash and cash equivalents - beginning	10,244,786	10,276,599
Cash and cash equivalents - ending	\$ 4,715,647	\$ 10,244,786
<u>Supplemental Information</u>		
Leasehold improvements financed through deferred incentive	\$ -	\$ 270,068

See accompanying notes to financial statements

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities

The Heat and Warmth Fund (“THAW”) (a nonprofit organization) is a community organization that was established in December 1985 to provide utility assistance for Michigan residents in need. THAW (a nonprofit organization) collaborates with their partners to deliver services that support long-term energy solutions.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to non-profit organizations. Under these principles, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of THAW (a nonprofit organization) and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met either by actions of THAW (a nonprofit organization) and/or the passage of time.

Revenue Recognition

Revenue is recorded when earned as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. All revenue is considered to be for unrestricted use unless specifically restricted by the funding source.

Support that is restricted by the funding source is reported as an increase in temporarily restricted net assets. When support is expended to satisfy the restricted purpose, temporarily restricted net assets are classified to unrestricted net assets. See Note 10 for the breakdown of temporarily restricted net assets.

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Income Taxes

THAW (a nonprofit organization) is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2012 - 2015.

Equipment and Software

Depreciation is provided over the estimated useful lives of the assets on the straight-line method. Donated equipment is stated at cost or approximate fair value at the date of donation. The Organization follows the practice of capitalizing all expenditures for equipment and software over \$5,000.

Estimates

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

THAW (a nonprofit organization) receives a substantial portion of its contributions from companies in the southeastern Michigan geographical region and from the State of Michigan. Federal revenue from the State of Michigan amounted to approximately 72% and 47% of total revenue for the years ended June 30, 2016 and 2015, respectively.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include highly liquid investments with original maturities of three months or less. THAW (a nonprofit organization) places its temporary cash investments with high credit quality financial institutions. THAW's (a nonprofit organization) cash balance in excess of the FDIC insurance limit at June 30, 2016 and 2015 was approximately \$4,228,100 and \$9,751,400, respectively. All cash and cash equivalents are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain cash and cash equivalents, it is at least reasonably possible that changes in the values of cash and cash equivalents could occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Pledges Receivable

Pledges receivable are carried at donor pledge amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. Amounts deemed uncollectible are written-off in the period that determination is made. At June 30, 2016 and 2015, no allowance for doubtful accounts was deemed necessary.

Grants Receivable

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Grants receivable consist of federal funds passed through the State of Michigan. No allowance for uncollectible accounts has been provided. Management has evaluated the account based on historical experience and review of current status and believes it is collectible.

Accounts Receivable

Accounts receivable are carried at invoice amounts. The receivable consists of reimbursable grants and program fees at June 30, 2016.

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 25, 2016, which is the date the financial statements were available to be issued.

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Allocation of Functional Expenses

In the statements of functional expenses, salaries and related expenses are allocated to program services and supporting services on the basis of the actual or estimated time devoted to those activities. Other expenses have been allocated using various bases as determined by management. For the year ended June 30, 2016, total functional expenses were allocated in the following manner:

Program services	\$ 14,887,834
Supporting services:	
Management and general	725,495
Fundraising	<u>876,345</u>
Total functional expenses	<u>\$ 16,489,674</u>

Expenses reported under program services represent the cost of providing energy assistance. Expenses reported under supporting services include costs relating to the operations of the Organization, general recordkeeping, accounting, general board activities, fundraising and other related costs. The salaries and expenses of the Chief Executive Officer and Chief Operating Officer are allocated to program services for time spent directly supervising program activities.

In-Kind Contributions

In-kind contributions for the years ended June 30, 2016 and 2015 amounted to \$40,207 and \$56,039, respectively, and consisted of the value of bill inserts included in electric bills. The corresponding expense is included in functional expenses.

Note 2 - Restrictions on Cash

Under the requirements of the donation agreement with Miller Buckfire & Co., LLC, the Organization is required to maintain a segregated bank account for the funds donated to provide emergency water utility assistance.

As of June 30, 2016 and 2015, restricted cash balances were as follows:

	2016	2015
Miller Buckfire & Co., LLC donation	\$ -	<u>\$ 312,527</u>

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 3 - Pledges Receivable

Pledges receivable at June 30, 2016 and 2015 may be summarized as follows:

	2016	2015
DTE match for Radiothon	\$ -	\$ 400,000

Note 4 - Equipment and Software

The principal categories of equipment and software as of June 30, 2016 and 2015 may be summarized as follows:

Leasehold Improvements	\$ 498,932	\$ -
Office equipment	170,946	170,946
Software - other	10,813	10,813
Web-based system	190,220	185,720
TSN 2 web database	308,220	308,220
Construction-in-process	-	467,378
Total cost	1,179,131	1,143,077
Less accumulated depreciation	642,287	560,242
Total undepreciated cost	\$ 536,844	\$ 582,835

Included in leasehold improvements as of June 30, 2016, is \$270,068 of tenant improvements costs, which were paid by the lessor. These costs represent a deferred leasehold incentive, which will be amortized over the lease term using the straight-line method. As of June 30, 2016 and 2015, deferred leasehold incentive related to this transaction amounted to \$227,014 and \$270,068, respectively.

Note 5 - Line-of-Credit

THAW (a nonprofit organization) has an unsecured revolving line-of-credit of \$100,000 with Chase Bank bearing interest at prime plus 2%. At June 30, 2016 and 2015, there were no borrowings on the line-of-credit.

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 6 - Donated Goods and Services

The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased.

Over 200 volunteers have donated time to the Organization. The value of time donated by volunteers to THAW (a nonprofit organization) is approximately \$17,000 for the year ended June 30, 2016. This amount is not reflected in the financial statements because the services are not recordable under accounting principles generally accepted in the United States of America.

Donated goods are reflected in the financial statements at their estimated values as described in Note 1.

Note 7 - Assistance to Individuals

Certain members of the Organization's Board of Directors are involved in other companies whose operations are similar to those of the Organization. The Organization provides a substantial portion of its direct assistance payments to these companies.

Assistance to individuals included in program expenses was provided in the form of direct payments for the years ended June 30, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
DTE Energy	\$ 8,483,386	\$ 10,727,396
Consumers Energy	3,050,293	3,588,944
S.E.M.C.O. Energy	74,575	52,074
Other water assistance	9,090	-
Michigan Gas utilities	1,303	37,000
Other fuel	104,316	424,417
City of Detroit Water and Sewer Department	<u>323,512</u>	<u>587,473</u>
Total assistance to individuals	<u>\$ 12,046,475</u>	<u>\$ 15,417,304</u>

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 8 - Operating Expense

THAW (a nonprofit organization) leases its office space, phone equipment, postage machine and copier from unrelated third-parties. Total lease expense for the years ended June 30, 2016 and 2015 was \$173,760 and \$118,684, respectively.

The Organization leases their office facilities under noncancellable agreements expiring in December 2015 and April 2021. At June 30, 2016, the total monthly lease payments were \$14,267.

The future minimum rental payments under this operating lease as of June 30, 2016 are as follows:

2017	\$ 171,200
2018	171,200
2019	171,200
2020	181,900
Thereafter	<u>156,041</u>
Total	\$ <u>851,541</u>

Note 9 - Pension Plan

THAW (a nonprofit organization) is a participant in a noncontributory defined benefit retirement plan. Contributions made by THAW (a nonprofit organization) are invested in a pooled account administered by United Way for Southeastern Michigan ("UWSEM"). Other affiliated agencies of UWSEM also contributed to the plan.

The plan was frozen as of March 15, 2005 for vested employees. The plan is fully funded and the contribution for employees was increased to 6% as of January 1, 2005. THAW (a nonprofit organization) withdrew from the plan effective December 31, 2006, and a termination payment of approximately \$14,000 was made. On June 28, 2012, UWSEM and the Pension Benefit Guarantee Corporation (PBGC) entered into an agreement to terminate the plan and appoint the PBGC as statutory trustee. The termination of the plan created a liability under Title IV of ERISA. A final payment of \$48,500 was paid to the PBGC by THAW in February 2016, resulting in the full release of Title IV liabilities.

THAW (a nonprofit organization) began offering their own 403(b) account in July 2006. Effective January 1, 2012, the Organization switched to a simple IRA account. Contributions to these accounts amounted to \$29,095 and \$28,407 for the years ended June 30, 2016 and 2015, respectively.

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 10 - Restrictions on Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2016 and 2015:

	2016	2015
Federal Funds Passed Through the State of Michigan	\$ 796,979	\$ 3,982,305
Skillman Foundation	50,000	148,258
Ferrell Gas	225	48,856
DTE Energy	386,875	53,380
PNC Foundation	-	696
Max Fisher Foundation	-	50,692
Verizon	4,155	20,000
Consumers Energy	-	438,901
Hitachi	-	5,075
Miller Buckfire	-	312,527
Kresge Foundation	75,000	-
S.E.M.C.O. Energy	54,839	50,000
Total	\$ 1,368,073	\$ 5,110,690

Note 11 - Contingencies

Certain legal actions arising in the ordinary course of business have been filed or are pending against the Organization. While these actions involve matters for which the ultimate liability, if any, has not been determined, management does not expect the outcomes to have a material adverse effect on the Organization's financial position.

* * * **End of Notes** * * *

**THE HEAT AND WARMTH FUND
(A Nonprofit Organization)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Federal Agency/Pass-Through Agency Program Title	Federal CFDA Number	Award Amount	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Housing and Urban Development - Passed Through the City of Detroit</u>				
Emergency Solutions Grant Program - October 1, 2013 - September 30, 2016 - 2896965	14.231	\$ 347,589	\$ -	\$ 13,244
Community Development Block Grants - October 1, 2014 - December 31, 2016 - 2904180	14.218	100,000	-	27,787
Total Passed Through the City of Detroit		447,589	-	41,031
<u>U.S. Department of Health and Human Services - Passed Through the State of Michigan</u>				
Low-Income Home Energy Assistance Program:	93.568			
October 1, 2014 - September 30, 2015 - PSC-15-11		10,000,000	-	3,945,779
October 1, 2015 - September 30, 2016 - PSC-16-11		8,500,000	-	7,739,538
Total Low-Income Home Energy Assistance Program		18,500,000	-	11,685,317
Total Federal Financial Assistance		\$ 18,947,589	\$ -	\$ 11,726,348

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016 AND 2015

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of The Heat and Warmth Fund under programs of the federal government for the year ended June 30, 2016. The information in the 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 The Heat and Warmth Fund, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Heat and Warmth Fund.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles within OMB Circular A-122, *Cost Principles for Non-profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement, as well as cost principles in accordance with the State of Michigan. The Heat and Warmth Fund has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

Note C - Major Programs

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

Note D - Federal Revenue Reconciliation

Federal Revenues per the financial statements	\$ 8,541,032
Federal Expenditures per the Schedule of Expenditures of Federal Awards	<u>11,726,348</u>
Difference	<u>\$ 3,185,316</u>

The difference relates to revenue that was not spent during the year ended June 30, 2015. The remaining funds were expended prior to the end of the grant term during the year ended June 30, 2016. The unspent funds were released from temporarily restricted net assets during the year ended June 30, 2016.