

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

FINANCIAL STATEMENTS

JUNE 30, 2015

(With Independent Auditor's Report Thereon)

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

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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 statements of financial position as of June 30, 2015 and 2014, 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 audits 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.

Auditor's Responsibility (Continued)

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, 2015 and 2014, and the results of its activities, functional expenses and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015, 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.

Doeren Mayhew

Troy, Michigan
October 16, 2015

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents (notes 1 and 2)	\$ 10,244,786	\$ 10,276,599
Pledges receivable - less allowance for doubtful accounts of \$-0- in 2015 and \$18,561 in 2014 (notes 1 and 3)	400,000	-
Accounts receivable (note 1)	506,810	89,395
Grants receivable (note 1)	5,000,000	-
Prepaid expenses and other current assets	44,522	43,296
Total current assets	16,196,118	10,409,290
Equipment and software:		
At cost, less accumulated depreciation of \$560,242 in 2015 and \$557,351 in 2014 (notes 1 and 4)	582,835	1,691
Total assets	<u>\$ 16,778,953</u>	<u>\$ 10,410,981</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 5,650,786	\$ 91,356
Accrued liabilities	110,145	131,778
Total current liabilities	5,760,931	223,134
Deferred leasehold incentive (note 4)	270,068	-
Net assets:		
Unrestricted	5,637,264	5,539,589
Temporarily restricted (notes 1 and 10)	5,110,690	4,648,258
Total net assets	10,747,954	10,187,847
Total liabilities and net assets	<u>\$ 16,778,953</u>	<u>\$ 10,410,981</u>

See accompanying notes to financial statements

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014

	Unrestricted	Temporarily Restricted	2015	2014
Revenue and support from operations:				
Public and corporate support	\$ 3,295,000	\$ 540,452	\$ 3,835,452	\$ 9,226,512
DTE Energy	-	-	-	500,000
DTE Gas	-	5,033,660	5,033,660	4,042,202
Grant revenue	87,440	-	87,440	-
Federal grants (note 1)	-	10,247,589	10,247,589	15,613,225
Other foundation support	96,144	100,075	196,219	329,060
Interest income	2,391	-	2,391	2,388
St. Vincent de Paul	23,694	3,640,000	3,663,694	2,124,224
Miller Buckfire & Co. (note 2)	-	1,000,000	1,000,000	-
Fundraising revenue	-	50,000	50,000	-
Miscellaneous income	822,079	-	822,079	734,408
	<u>4,326,748</u>	<u>20,611,776</u>	<u>24,938,524</u>	<u>32,572,019</u>
Total revenue and support from operations				
Functional expenses:				
Program services	22,270,386	-	22,270,386	28,781,133
Supporting services	2,164,070	-	2,164,070	1,871,058
	<u>24,434,456</u>	<u>-</u>	<u>24,434,456</u>	<u>30,652,191</u>
Total functional expenses (note 1)				
Release of net assets from restrictions	20,149,344	(20,149,344)	-	-
Increase in net assets before in-kind contributions	41,636	462,432	504,068	1,919,828
In-kind contributions (note 1)	56,039	-	56,039	60,943
	<u>97,675</u>	<u>462,432</u>	<u>560,107</u>	<u>1,980,771</u>
Increase in net assets				
Net assets - beginning	5,539,589	4,648,258	10,187,847	8,207,076
	<u>5,539,589</u>	<u>4,648,258</u>	<u>10,187,847</u>	<u>8,207,076</u>
Net assets - ending	<u>\$ 5,637,264</u>	<u>\$ 5,110,690</u>	<u>\$ 10,747,954</u>	<u>\$ 10,187,847</u>

See accompanying notes to financial statements

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014

	Supporting Services				2015	2014
	Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and fringes	\$ 1,352,295	\$ 622,183	\$ 527,369	\$ 1,149,552	\$ 2,501,847	\$ 1,582,085
Assistance to individuals (note 7)	19,080,998	-	-	-	19,080,998	25,945,521
Promotional	33,131	402	33,124	33,526	66,657	98,976
Printing and postage	101,048	12,575	114,262	126,837	227,885	192,644
Contractual services	1,010,110	251,045	216,190	467,235	1,477,345	1,870,580
Travel and meetings	66,642	20,735	21,409	42,144	108,786	141,644
Depreciation	1,205	559	478	1,037	2,242	6,612
Applicant screening/referral	90,851	-	-	-	90,851	215,131
Telephone	94,755	18,209	18,770	36,979	131,734	46,502
Space rental (note 8)	98,945	38,272	28,539	66,811	165,756	112,037
Supplies	49,666	34,066	13,541	47,607	97,273	68,883
License and fees	-	552	-	552	552	1,018
Equipment and software	146,953	18,534	20,263	38,797	185,750	77,988
Web expense	110,794	-	-	-	110,794	58,498
Dues and subscriptions	1,047	3,986	225	4,211	5,258	8,434
Support maintenance services	19,235	8,888	7,594	16,482	35,717	64,853
Bank fees	-	13,178	2,587	15,765	15,765	17,166
Insurance	4,784	1,594	1,594	3,188	7,972	2,935
Bad debt expense	6,413	3,867	-	3,867	10,280	24,820
Miscellaneous	1,514	482	52,375	52,857	54,371	53,271
Charitable contributions	-	250	-	250	250	1,650
Interest	-	334	-	334	334	-
In-kind expense (note 1)	-	56,039	-	56,039	56,039	60,943
Total functional expenses	<u>\$ 22,270,386</u>	<u>\$ 1,105,750</u>	<u>\$ 1,058,320</u>	<u>\$ 2,164,070</u>	<u>\$ 24,434,456</u>	<u>\$ 30,652,191</u>

See accompanying notes to financial statements

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Increase in net assets	\$ 560,107	\$ 1,980,771
Adjustments:		
Depreciation	2,242	4,405
Bad debt expense	10,280	24,820
Changes in assets and liabilities:		
Increase in pledges receivable	(410,280)	(16,774)
(Increase) decrease in grants receivable	(5,000,000)	100,252
Increase in accounts receivable	(417,415)	(89,395)
Increase in prepaid expenses and other current assets	(1,226)	(13,112)
Increase in accounts payable	5,559,430	54,586
Decrease in accrued liabilities	(21,633)	(18,572)
Total adjustments	(278,602)	46,210
Net cash provided from operating activities	281,505	2,026,981
Cash flows from investing activities:		
Purchase of equipment and software	(313,318)	-
Net (decrease) increase in cash and cash equivalents	(31,813)	2,026,981
Cash and cash equivalents - beginning	10,276,599	8,249,618
Cash and cash equivalents - ending	\$ 10,244,786	\$ 10,276,599
<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, 2015 AND 2014

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

THAW (a nonprofit organization) has adopted generally accepted accounting principles related to not-for-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.

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 2011 - 2014.

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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

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.

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, 2015 and 2014 was approximately \$9,751,400 and \$9,827,100, 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
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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, 2015 and 2014, the allowance for doubtful accounts amounted to \$-0- and \$18,561, respectively.

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 tenant improvement reimbursable expenses and program fees at June 30, 2015.

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 16, 2015, 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, 2015 AND 2014

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, 2015, total functional expenses were allocated in the following manner:

Program services	\$ 22,270,386
Supporting services:	
Management and general	1,105,750
Fundraising	<u>1,058,320</u>
 Total functional expenses	 <u>\$ 24,434,456</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, 2015 and 2014 amounted to \$56,039 and \$60,943, respectively, and consisted of the value of bill inserts included in electric bills. The corresponding expense is included in functional expenses.

Federal Funds

Federal funding revenue during the years ended June 30, 2015 and 2014 amounted to \$10,247,589 and \$15,613,225, respectively. At June 30, 2015, \$5,000,000 of these funds were still outstanding as a receivable. Federal funding expended during the years ended June 30, 2015 and 2014 amounted to \$9,014,875 and \$12,863,664, respectively.

THE HEAT AND WARMTH FUND
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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, 2015 and 2014, restricted cash balances were as follows:

	2015	2014
Miller Buckfire & Co., LLC donation	\$ 312,527	\$ -

Note 3 - Pledges Receivable

Pledges receivable at June 30, 2015 and 2014 may be summarized as follows:

DTE match for Radiothon	\$ 400,000	\$ -
Individual pledges for Radiothon	-	18,561
Less allowance for doubtful accounts	-	18,561
	\$ 400,000	\$ -

Note 4 - Equipment and Software

The principal categories of equipment and software as of June 30, 2015 and 2014 may be summarized as follows:

Office equipment	\$ 170,946	\$ 65,289
Software - other	10,813	10,813
Web-based system	185,720	174,720
TSN 2 web database	308,220	308,220
Construction-in-process	467,378	-
Total cost	1,143,077	559,042
Less accumulated depreciation	560,242	557,351
Total undepreciated cost	\$ 582,835	\$ 1,691

THE HEAT AND WARMTH FUND
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 4 - Equipment and Software (Continued)

Construction-in-process consists entirely of leasehold improvements and was substantially put into place when the Organization obtained the Certificate of Occupancy subsequent to June 30, 2015. At June 30, 2015, the estimated costs to complete construction-in-process amount to \$31,554.

Included in construction-in-process as of June 30, 2015, is \$270,068 of tenant improvement 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.

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, 2015 and 2014, there were no borrowings on the line-of-credit.

Note 6 - Donated Goods and Services

The value of time donated by volunteers to THAW (a nonprofit organization) has not been determined. The value of such services has not been reflected in the financial statements for the years ended June 30, 2015 and 2014.

Note 7 - Assistance to Individuals

Assistance to individuals included in program expenses was provided in the form of direct payments and noncash credits for the years ended June 30, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
DTE Energy	\$ 14,391,090	\$ 16,086,060
Consumers Energy	3,588,944	7,735,676
S.E.M.C.O. Energy	52,074	58,690
MCAAA	-	1,000,000
Michigan Gas utilities	37,000	25,722
Other fuel	424,417	1,039,373
City of Detroit Water and Sewer Department	<u>587,473</u>	<u>-</u>
Total assistance to individuals	<u>\$ 19,080,998</u>	<u>\$ 25,945,521</u>

THE HEAT AND WARMTH FUND
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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, 2015 and 2014 was \$118,684 and \$97,048, respectively.

The Organization leases their office facilities under noncancellable agreements expiring in December 2015 and April 2021. At June 30, 2015, the total monthly lease payments were \$10,963.

The future minimum rental payments under this operating lease as of June 30, 2015 are as follows:

2016	\$ 115,798
2017	171,200
2018	171,200
2019	171,200
2020	181,900
Thereafter	<u>156,041</u>
Total	<u>\$ 967,339</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. It is expected that an additional termination payment of approximately \$5,000 will be required by sixty days after the final plan actuary issuance which has not been completed as of October 16, 2015. During the years ended June 30, 2015 and 2014, THAW (a nonprofit organization) has not contributed any money to this plan.

THE HEAT AND WARMTH FUND
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 9 - Pension Plan (Continued)

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 \$28,407 and \$32,510 for the years ended June 30, 2015 and 2014, respectively.

Additionally, THAW (a nonprofit organization) has recently received a letter from United Way regarding the pension plan which THAW (a nonprofit organization) withdrew from effective December 31, 2006. United Way has requested THAW (a nonprofit organization) to pay additional funding of \$45,000; THAW (a nonprofit organization) is disputing this amount. At this time, it is uncertain as to the amount of additional funding, if any, that THAW (a nonprofit organization) will have to pay. Therefore, THAW has not recorded a liability as of June 30, 2015.

Note 10 - Restrictions on Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Federal Funds Passed Through the State of Michigan	\$ 3,982,305	\$ 2,749,591
Skillman Foundation	148,258	256,247
Ferrel Gas	48,856	54,627
DTE Energy	53,380	47,652
PNC Foundation	696	10,000
Max Fisher Foundation	50,692	75,000
Verizon	20,000	-
Consumers Energy	438,901	1,455,141
Hitachi	5,075	-
Miller Buckfire	312,527	-
S.E.M.C.O. Energy	<u>50,000</u>	<u>-</u>
Total	<u>\$ 5,110,690</u>	<u>\$ 4,648,258</u>

* * * End of Notes * * *

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

Federal Agency/Pass-Through Agency Program Title	Federal CFDA Number	Award Amount	Expenditures
<u>U.S. Department of Housing and Urban Development - Passed Through the City of Detroit</u>			
Emergency Solutions Grant Program - October 1, 2013 - December 31, 2015 - 2896965	14.231	\$ 247,589	\$ 247,589
<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, 2013 - September 30, 2014 - PSC-14-11		15,538,000	2,713,065
October 1, 2014 - September 30, 2015 - PSC-15-11		10,000,000	6,054,221
Total Low-Income Home Energy Assistance Program		<u>25,538,000</u>	<u>8,767,286</u>
Total Federal Financial Assistance		<u>\$ 25,785,589</u>	<u>\$ 9,014,875</u>

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, 2015 AND 2014

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of The Heat and Warmth Fund (a nonprofit organization) and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

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	\$ 10,247,589
Federal Revenues per the Schedule of Expenditures of Federal Awards	<u>9,014,875</u>
Difference	<u>\$ 1,232,714</u>

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