

Homeless Emergency Project, Inc.

**Audited Financial Statements
And Supplementary Information**

December 31, 2013 And 2012

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Independent Auditor's Report

Board of Directors
Homeless Emergency Project, Inc.
Clearwater, Florida

Report On The Financial Statements

We have audited the accompanying financial statements of Homeless Emergency Project, Inc., which is comprised of the statement of financial position as of December 31, 2013, 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.

Auditor's 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 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 Homeless Emergency Project, Inc. as of December 31, 2013, 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

Other Auditors

The financial statements of Homeless Emergency Project, Inc. as of and for the year ended December 31, 2012, were audited by other auditors whose report dated June 14, 2013 expressed an unmodified opinion on those statements.

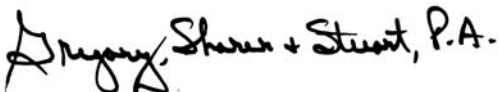
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 March 31, 2014 on our consideration of Homeless Emergency Project, 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 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 Homeless Emergency Project, Inc.'s internal control over financial reporting and compliance.

Gregory, Sharer & Stuart, P.A.



St. Petersburg, Florida
March 31, 2014

Homeless Emergency Project, Inc.
Statement Of Financial Position For The Year Ended December 31, 2013
With Summarized Financial Information For The Year Ended December 31, 2012

	Year Ended December 31, 2013			Total	Summarized
	Unrestricted	Temporarily Restricted	Permanently Restricted		Comparative
					Totals
					Year Ended
					December 31
					2012
Assets					
Cash and cash equivalents	\$ 605,340	\$ 34,443	\$ -	\$ 639,783	\$ 437,118
Grants receivable	236,219	-	-	236,219	250,091
Accounts receivable - other	997	-	-	997	18,072
Prepaid expenses	65,370	-	-	65,370	31,766
Investments	3,680,272	68,172	222,614	3,971,058	4,017,808
Promises to give	-	88,179	-	88,179	54,176
Property and equipment, net	11,457,656	-	-	11,457,656	11,990,178
Beneficial interest in perpetual trust	-	-	392,860	392,860	346,935
Other Assets	21,898	-	-	21,898	24,453
Total Assets	\$ 16,067,752	\$ 190,794	\$ 615,474	\$ 16,874,020	\$ 17,170,597
Liabilities And Net Assets					
Liabilities					
Accounts payable and accrued liabilities	\$ 126,349	\$ -	\$ -	\$ 126,349	\$ 93,171
Deferred revenue	10,794	-	-	10,794	-
Accrued payroll	54,549	-	-	54,549	39,401
Line of credit	955,000	-	-	955,000	1,055,000
Security deposits	890	-	-	890	890
Mortgages payable	3,556,608	-	-	3,556,608	3,351,359
Total Liabilities	4,704,190	-	-	4,704,190	4,539,821
Net Assets					
Unrestricted	7,691,171	-	-	7,691,171	8,210,447
Unrestricted board designated	3,672,391	-	-	3,672,391	3,529,253
Temporarily restricted	-	190,794	-	190,794	344,141
Permanently restricted	-	-	615,474	615,474	546,935
Total Net Assets	11,363,562	190,794	615,474	12,169,830	12,630,776
Total Liabilities and Net Assets	\$ 16,067,752	\$ 190,794	\$ 615,474	\$ 16,874,020	\$ 17,170,597

Homeless Emergency Project, Inc.
Statement of Financial Position
For The Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Cash and cash equivalents	\$ 331,668	\$ 105,450	\$ -	\$ 437,118
Grants receivable	250,091	-	-	250,091
Accounts receivable - other	18,072	-	-	18,072
Prepaid expenses	31,766	-	-	31,766
Investments	3,633,293	184,515	200,000	4,017,808
Promises to give	-	54,176	-	54,176
Property and equipment, net	11,990,178	-	-	11,990,178
Beneficial interest in perpetual trust	-	-	346,935	346,935
Other Assets	24,453	-	-	24,453
Total Assets	<u>\$ 16,279,521</u>	<u>\$ 344,141</u>	<u>\$ 546,935</u>	<u>\$ 17,170,597</u>
Liabilities And Net Assets				
Liabilities				
Accounts payable and accrued liabilities	\$ 93,171	\$ -	\$ -	\$ 93,171
Accrued payroll	39,401	-	-	39,401
Line of credit	1,055,000	-	-	1,055,000
Security deposits	890	-	-	890
Mortgages payable	3,351,359	-	-	3,351,359
Total Liabilities	<u>4,539,821</u>	<u>-</u>	<u>-</u>	<u>4,539,821</u>
Net Assets				
Unrestricted	8,210,447	-	-	8,210,447
Unrestricted board designated	3,529,253	-	-	3,529,253
Temporarily restricted	-	344,141	-	344,141
Permanently restricted	-	-	546,935	546,935
Total Net Assets	<u>11,739,700</u>	<u>344,141</u>	<u>546,935</u>	<u>12,630,776</u>
Total Liabilities and Net Assets	<u>\$ 16,279,521</u>	<u>\$ 344,141</u>	<u>\$ 546,935</u>	<u>\$ 17,170,597</u>

Homeless Emergency Project, Inc.
Statement Of Activities And Changes In Net Assets
For The Year Ended December 31, 2013
With Summarized Financial Information For The Year Ended December 31, 2012

	Year Ended December 31, 2013			Total	Summarized
	Unrestricted	Temporarily Restricted	Permanently Restricted		Comparative Totals
					Year Ended December 31 2012
Public Support And Revenue					
Contributions	\$ 977,380	\$ 122,596	\$ -	\$ 1,099,976	\$ 1,764,403
In-kind contributions - services and other	1,756,134	-	-	1,756,134	1,222,966
Grants	2,459,289	-	-	2,459,289	2,337,737
Client Fees	295,297	-	-	295,297	231,505
Special Events Revenue, Net	86,745	-	-	86,745	72,574
Investment Return, Net	501,380	-	46,587	547,967	391,648
Thrift Store Sales	354,021	-	-	354,021	326,928
Other	(21,052)	-	-	(21,052)	41,942
Net Assets Released from Restriction	253,991	(275,943)	21,952	-	-
Total Public Support And Revenue	<u>6,663,185</u>	<u>(153,347)</u>	<u>68,539</u>	<u>6,578,377</u>	<u>6,389,703</u>
Expenses					
Program Services	5,972,014	-	-	5,972,014	4,985,070
Management and General	687,853	-	-	687,853	410,950
Development (Fundraising)	379,456	-	-	379,456	302,708
Total Expenses	<u>7,039,323</u>	<u>-</u>	<u>-</u>	<u>7,039,323</u>	<u>5,698,728</u>
Change In Net Assets	(376,138)	(153,347)	68,539	(460,946)	690,975
Net Assets At Beginning Of Year	<u>11,739,700</u>	<u>344,141</u>	<u>546,935</u>	<u>12,630,776</u>	<u>11,939,801</u>
Net Assets At End Of Year	<u>\$11,363,562</u>	<u>\$ 190,794</u>	<u>\$ 615,474</u>	<u>\$12,169,830</u>	<u>\$12,630,776</u>

Homeless Emergency Project, Inc.
Statement Of Activities And Changes In Net Assets
Year Ended September 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support And Revenue				
Contributions	\$ 1,753,270	\$ 11,133	\$ -	\$ 1,764,403
In-kind contributions - services and other	1,222,966	-	-	1,222,966
Grants	2,337,737	-	-	2,337,737
Client Fees	231,505	-	-	231,505
Special Events Revenue, Net	72,574	-	-	72,574
Investment Return, Net	371,440	1,169	19,039	391,648
Thrift Store Sales	326,928	-	-	326,928
Other	41,942	-	-	41,942
Net Assets Released from Restriction	36,226	(36,226)	-	-
Total Public Support And Revenue	<u>6,394,588</u>	<u>(23,924)</u>	<u>19,039</u>	<u>6,389,703</u>
Expenses				
Program Services	4,985,070	-	-	4,985,070
Management and General	410,950	-	-	410,950
Development (Fundraising)	302,708	-	-	302,708
Total Expenses	<u>5,698,728</u>	<u>-</u>	<u>-</u>	<u>5,698,728</u>
Change In Net Assets	695,860	(23,924)	19,039	690,975
Net Assets At Beginning Of Year	<u>11,043,840</u>	<u>368,065</u>	<u>527,896</u>	<u>11,939,801</u>
Net Assets At End Of Year	<u>\$11,739,700</u>	<u>\$ 344,141</u>	<u>\$ 546,935</u>	<u>\$12,630,776</u>

Homeless Emergency Project, Inc.

Statement Of Functional Expenses For The Year Ended December 31, 2013

With Summarized Financial Information For The Year Ended December 31, 2012

	Year Ended December 31, 2013												Summarized Comparative Totals Year Ended December 31, 2012
	Housing Programs				Program Services				Total Program Services	Management and General	Development	Total	
	Outreach	Emergency	Transitional	Permanent	Total Housing Programs	Counseling Services	Other Client Services	Thrift Store					
Salaries	\$ 232,522	\$ 362,251	\$ 408,843	\$ 249,082	\$ 1,252,698	\$ 111,256	\$ 94,850	\$ 80,257	\$ 1,539,061	\$ 312,580	\$ 187,804	\$ 2,039,445	\$ 1,603,742
Payroll taxes and benefits	47,693	75,931	89,186	56,863	269,673	27,675	18,930	18,211	334,489	73,756	23,896	432,141	382,048
Total Salaries And Related Expenses	280,215	438,182	498,029	305,945	1,522,371	138,931	113,780	98,468	1,873,550	386,336	211,700	2,471,586	1,985,790
Client services	16,929	105,896	106,178	68,478	297,481	324,983	62,731	3,936	689,131	7,862	5,706	702,699	577,181
Contract labor	110	8,364	5,633	65	14,172	6,109	17	72	20,370	71	2	20,443	37,847
Dental clinic expenses	48,042	202,233	269,601	188,043	707,919	784	-	-	708,703	-	-	708,703	349,570
Fundraising	-	-	257	-	257	-	262	10,628	11,147	172	61,842	73,161	90,884
Food	24,439	94,496	122,650	83,370	324,955	92	2,065	62	327,174	946	182	328,302	125,080
In-kind lease space	42,919	65,436	76,691	45,840	230,886	23,477	19,496	17,840	291,699	60,738	39,186	391,623	399,561
In-kind services	24,542	98,169	133,230	94,665	350,606	-	-	58,854	409,460	14,952	-	424,412	454,300
Insurance	7,756	11,174	33,021	12,841	64,792	3,997	3,259	2,728	74,776	11,456	6,080	92,312	102,023
Interest	-	-	-	-	-	-	-	-	-	14,389	-	14,389	18,613
Learning center activities	-	-	-	-	-	-	-	-	90,413	-	-	90,413	100,814
Other	2,998	5,646	26,390	3,565	38,599	5,857	8,124	7,888	60,468	93,602	22,599	176,669	138,711
Payroll processing fees	1,548	2,238	2,253	1,369	7,408	764	734	641	9,547	1,869	1,065	12,481	26,969
Printing, postage, and office expenses	6,513	11,763	12,733	7,862	38,871	2,911	5,501	2,549	49,832	11,660	7,311	68,803	62,210
Professional fees	2,453	5,014	3,925	2,453	13,845	1,472	6,686	736	22,739	24,104	2,208	49,051	24,714
Repairs and Maintenance	7,732	26,691	117,792	73,567	225,782	842	12,093	14,865	253,582	9,355	1,246	264,183	231,226
Telephone	3,237	6,543	11,984	4,711	26,475	1,458	4,921	1,091	33,945	10,697	3,520	48,162	50,920
Utilities	18,942	63,074	194,247	68,812	345,075	1,760	21,307	16,222	384,364	4,955	2,660	391,979	367,566
Vehicle expense	1,930	7,019	9,490	6,705	25,144	98	1,785	5,770	32,797	2,037	156	34,990	33,887
Subtotal	490,305	1,151,938	1,624,104	968,291	4,234,638	513,535	353,174	242,350	5,343,697	655,201	365,463	6,364,361	5,177,866
Depreciation	30,472	84,703	289,982	127,651	532,808	8,383	56,986	30,140	628,317	32,652	13,993	674,962	520,862
Total Functional Expenses	\$ 520,777	\$ 1,236,641	\$ 1,914,086	\$ 1,095,942	\$ 4,767,446	\$ 521,918	\$ 410,160	\$ 272,490	\$ 5,972,014	\$ 687,853	\$ 379,456	\$ 7,039,323	\$ 5,698,728

Homeless Emergency Project, Inc.
Statement Of Functional Expenses
For The Year Ended December 31, 2012

	Program Services											
	Housing Programs				Total Housing Programs	Counseling Services	Other Client Services	Thrift Store	Total Program Services	Management and General	Development	Total
	Outreach	Emergency	Transitional	Permanent								
Salaries	\$ 200,698	\$ 331,755	\$ 304,360	\$ 211,718	\$ 1,048,531	\$ 100,916	\$ 58,923	\$ 55,001	\$ 1,263,371	\$ 176,423	\$ 163,948	\$ 1,603,742
Payroll taxes and benefits	43,323	86,199	81,190	61,191	271,903	24,926	16,727	24,984	338,540	20,793	22,715	382,048
Total Salaries And Related Expenses	244,021	417,954	385,550	272,909	1,320,434	125,842	75,650	79,985	1,601,911	197,216	186,663	1,985,790
Client services	9,837	61,614	41,930	37,432	150,813	372,868	33,882	3,320	560,883	4,428	11,870	577,181
Contract labor	6,538	19,639	10,443	68	36,688	180	127	245	37,240	-	607	37,847
Dental clinic expenses	23,177	113,410	118,843	93,761	349,191	297	-	-	349,488	82	-	349,570
Fundraising	733	5,725	4,298	2,860	13,616	18	14	9,018	22,666	28	68,190	90,884
Food	11,076	43,362	39,249	27,259	120,946	81	1,731	206	122,964	1,058	1,058	125,080
In-kind lease space	28,217	126,416	133,186	111,742	399,561	-	-	-	399,561	-	-	399,561
In-kind services	32,084	143,729	151,438	127,049	454,300	-	-	-	454,300	-	-	454,300
Insurance	6,315	18,233	39,236	15,873	79,657	3,889	2,528	4,061	90,135	7,099	4,789	102,023
Interest	-	-	-	-	-	-	-	-	-	18,613	-	18,613
Learning center activities	-	-	-	-	-	-	100,814	-	100,814	-	-	100,814
Other	2,643	9,924	26,948	6,507	46,022	6,667	3,511	7,019	63,219	61,676	13,816	138,711
Payroll processing fees	2,930	6,170	5,432	4,107	18,639	1,565	1,136	1,536	22,876	2,023	2,070	26,969
Printing, postage, and office expenses	4,879	15,528	11,811	8,993	41,211	4,538	1,799	3,327	50,875	6,066	5,269	62,210
Professional fees	2,274	4,946	4,200	3,087	14,507	1,335	773	1,169	17,784	5,393	1,537	24,714
Repairs and Maintenance	6,146	62,967	91,451	40,513	201,077	803	8,711	8,834	219,425	10,739	1,062	231,226
Telephone	3,745	11,258	14,039	7,493	36,535	1,674	4,072	2,321	44,602	2,628	3,690	50,920
Utilities	19,670	73,324	158,133	77,042	328,169	1,560	12,361	21,326	363,416	2,135	2,015	367,566
Vehicle expense	1,857	8,243	8,615	7,205	25,920	53	1,021	5,068	32,062	1,753	72	33,887
Subtotal	406,142	1,142,442	1,244,802	843,900	3,637,286	521,370	248,130	147,435	4,554,221	320,937	302,708	5,177,866
Depreciation	18,990	86,265	198,974	99,563	403,792	-	17,125	9,932	430,849	90,013	-	520,862
Total Functional Expenses	\$ 425,132	\$ 1,228,707	\$ 1,443,776	\$ 943,463	\$ 4,041,078	\$ 521,370	\$ 265,255	\$ 157,367	\$ 4,985,070	\$ 410,950	\$ 302,708	\$ 5,698,728

Homeless Emergency Project, Inc.
Statements Of Cash Flows

	Year Ended December 31,	
	2013	2012
Cash Flows From Operating Activities		
Change in net assets	\$ (460,946)	\$ 690,975
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	674,962	520,862
Realized and unrealized gain on investments	(384,333)	(247,709)
Donated investments	(19,206)	(76,344)
Gain on perpetual trust assets	(45,925)	(19,039)
Loss on disposal of property and equipment	67,191	-
Decrease (increase) in operating assets		
Grants receivable	13,872	(33,549)
Accounts receivable - other	17,075	(18,072)
Prepaid expenses	(33,604)	202
Promises to give	(34,003)	(40,000)
Other assets	2,555	(13,798)
Increase (decrease) in operating liabilities		
Accounts payable	33,178	(21,758)
Accrued payroll	15,148	11,182
Deferred revenue	10,794	-
Net Cash (Used) Provided By Operating Activities	<u>(143,242)</u>	<u>752,952</u>
Cash Flows From Investing Activities		
Purchases of investments	(1,253,576)	-
Proceeds from sale of investments	1,703,865	317,412
Purchases of property and equipment	(209,631)	(929,371)
Net Cash Provided (Used) By Investing Activities	<u>240,658</u>	<u>(611,959)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of debt	205,249	-
Net payments on line of credit	(100,000)	-
Net Cash Provided By Financing Activities	<u>105,249</u>	<u>-</u>
Increase In Cash And Cash Equivalents	202,665	140,993
Cash And Cash Equivalents At Beginning Of Year	437,118	296,125
Cash And Cash Equivalents At End Of Year	<u>\$ 639,783</u>	<u>\$ 437,118</u>
Supplemental Disclosure		
Cash paid for interest	<u>\$ 14,389</u>	<u>\$ 18,613</u>
Noncash investing transaction:		
Construction in progress, property and equipment decreased by accounts payable and mortgage payable	<u>\$ -</u>	<u>\$ (929,371)</u>

Homeless Emergency Project, Inc.

Notes To Financial Statements

December 31, 2013 And 2012

Note A - Organization And Summary Of Significant Accounting Policies

Organization And Purpose

Homeless Emergency Project, Inc. (the Organization) is a nonprofit organization founded in 1986 whose mission is to provide homeless and very low-income individuals and families with housing, food, clothing, and support services necessary to obtain self-sufficiency and improved quality of life. Funds used for operations are received from federal, state, local and private sources.

The Organization provides emergency, transitional and permanent housing for men, women, children, and veterans, including those with mental illnesses. The Organization offers a full continuum of shelter care for the entire homeless population and with its community partners residents have access to a wide range of support services.

Programs

- Housing Programs - Services provide for overnight, emergency, transitional and permanent housing needs; clothing, food, personal care, life skills, case management and transportation costs of the residents.
- Counseling - Services include substance abuse care and alcohol treatment, recovery services, vocational and employment training, mental health therapy (individual, group and families) and public benefits access.

Other Client Services

- The Learning Center - This is a partnership with R'Club Child Care, Inc. to provide an after school care and summer camp program. The program provides academic and social skill building assistance for school age youth.
- Dental Clinic - The clinic is utilized by volunteer dentists, orthodontists, dental hygienists and students providing a full range of dental care for residents.
- Bike Recycling and Distribution program - The bike shop provides homeless adults and children with refurbished and recycled bikes, accessories and helmets.

- Food and Nutrition - Onsite kitchen and dining hall provides three meals a day, seven days a week. A contracted licensed nutritionist provides one-on-one consultation to residents to support healthy eating habits and meal planning.
- Medical Care - This program is provided onsite through a partnership with a Morton Plant Outreach Team. The services include medical assessments, laboratory services and treatments for nonemergency illnesses or injuries offered by an on-site staff of licensed practical nurses, nurse practitioners and case managers.
- Transportation - Services include transportation services of two roundtrips each weekday for veterans to Bay Pines Hospital.
- (CHAP) Community Housing Assistance Program is available to assist eligible applicants avoid potential homelessness by eliminating rental payments in arrears, providing one-on-one housing counseling to ensure stability of their new housing situation and by providing move-in costs in instances of homelessness.
- Thrift Store - Onsite store provides clients with job training, clothes, and household items. All store proceeds are invested into the operations of the Organization.

Basis Of Presentation

The Organization's financial statements are prepared on the accrual basis of accounting in accordance with the Revenue Recognition Subtopic for Not-For-Profit Entities of the FASB Accounting Standards Codification (ASC) (958-605) and Presentation of Financial Statements Subtopic of Not-for-Profit Entities of the FASB ASC Subtopic (958-205).

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 the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Homeless Emergency Project, Inc.

Notes To Financial Statements

December 31, 2013 And 2012

Cash And Cash Equivalents

The Organization considers all highly liquid investments not designated for long-term purposes to be cash and cash equivalents. For the purpose of the statement of cash flows, the Organization considers all highly liquid investments designated for long-term purposes to be investments, not cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Grants Receivable

The Organization records a receivable and grant income at the time grant funds are due from the grantor. Management estimates the allowance for uncollectible grants based on a review of the individual grant receivables outstanding as of the end of the year. Management writes off grants receivable as identified against the allowance amount. As of December 31, 2013 and 2012, the Organization considers all grants receivable to be fully collectible.

Investments

Investments are carried at market value. Donated investments are recorded at the fair market value at the time of receipt. The cost basis of investments acquired by purchase is the price paid for the investment.

Promises To Give

Unconditional promises to give cash or other assets in the future are recorded as contributions revenue (temporarily restricted) and promises to give. Promises to give, less an allowance for uncollectible accounts, are reported at the net present value using an interest rate determined by management to be appropriate for the expected terms of the promise to give. The rate applied for the years ended December 31, 2013 and 2012 was 3.34%.

Property And Equipment

Property and equipment are carried at cost. Donated property and equipment are recorded at fair value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the asset, which can range as follows:

Buildings	20-30 years
Improvements	10-30 years
Furniture and equipment	3-10 years

Agency expenditures in excess of \$1,000 with an estimated useful life in excess of one year are capitalized. Housing expenditures in excess of \$2,500 with an estimated useful life in excess of one year are capitalized.

Property acquired with governmental funds is considered to be owned by the Organization while used in the program for which it was purchased or in other future authorized programs; however, its disposition and ownership of any proceeds is subject to applicable regulations.

Net Assets And Revenue Recognition

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- *Unrestricted Net Assets* - include net assets that are not subject to donor-imposed stipulations.
- *Temporarily Restricted Net Assets* - include gifts subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.
- *Permanently Restricted Net Assets* - include gifts for which the corpus is permanently endowed.

Donor-restricted support is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions

Contributions, including unconditional promises to give, are recorded when received. Contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Homeless Emergency Project, Inc.

Notes To Financial Statements

December 31, 2013 And 2012

In-Kind Contributions

Contributed use of facilities is recorded as support at its fair rental value during the period of use. Other tangible donations are recorded as support at their fair market value during the period of use. Contributed services that require specialized skill (attorneys, computer consultants, etc.) are recorded in the statement of activities and changes in net assets as unrestricted support at their fair value. A number of unpaid volunteers, including board members, have made significant contributions of their time to develop the Organization's programs and special events. The value of this contributed time is not reflected in the statement of activities and changes in net assets since it is not susceptible to objective measurement or valuation. The total volunteer hours contributed was 30,636 and 32,466 for the years ended December 31, 2013 and 2012, respectively.

The Organization receives contributions of goods and materials (inventory) and processes these contributions as merchandise available for sale in its retail thrift store. Revenue Recognition Subtopic for Not-For-Profit Entities of the FASB Accounting Standards Codification (ASC) (958-605) requires that contributions be recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Contributions should be measured at their fair value.

The Organization believes that the inventory of contributed goods and materials does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine inventory value at the time of donation. It is only through the value-added processes that prepare the donated inventory for sale that donated inventory has value. Accordingly, contributed goods and materials are not valued prior to being offered for sale and no income is recognized until the date of sale. There is no contributions revenue recorded in the financial statements as of December 31, 2013 or 2012 associated with this inventory.

Functional Expenses

The cost of providing the various programs and other activities have been detailed in the Statement of Functional Expenses and summarized on a functional basis in the statement of activities and changes in net assets. Expenses that can be identified with a specific program service are charged directly to that program, according to their natural expenditure and classification. Management and general expenses that are not directly allocable are allocated based on their estimated usage in each program or supporting service.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been determined not to be a private foundation (within the meaning of Section 509(a)(1) of the Internal Revenue Code). As such, no provision for income tax expense has been made in the accompanying financial statements.

The Organization adopted the provisions of the FASB ASC 740, Income Taxes (formerly Interpretation 48 [FIN 48], *Accounting for Uncertain Tax Positions*). ASC 740 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. ASC 740 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Organization determined that during the years ended December 31, 2013 and 2012, ASC 740 did not have an impact on its financial position, activities, or cash flows.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they were filed.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to correspond to the 2013 presentation. These reclassifications had no effect on previously reported net assets.

Note B - Concentration Of Credit Risk

The Organization maintains cash and cash equivalent balances which at times throughout the year may exceed FDIC insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant risk on cash.

Note C - Fair Value Of Financial Instruments

The fair value of certain of the Organization's financial instruments, including cash, grants receivables, accounts receivable - other, prepaid expenses, accounts payable and accrued liabilities, accrued payroll, security deposits, and line of credit approximate cost because of their short-term nature. Using the market value approach, the fair value of the Organization's mortgage payable is considered to be comparable to the loan value of the obligation.

Homeless Emergency Project, Inc.
Notes To Financial Statements
December 31, 2013 And 2012

The fair value of assets measured on a recurring basis is as follows at December 31:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>2013</i>				
Investments				
Money market funds	\$ 335,940	\$ 335,940	\$ -	\$ -
Fixed income securities	1,155,071	-	1,155,071	-
Equities	2,225,016	2,225,016	-	-
Tangible investments	101,409	-	101,409	-
Real estate	153,622	-	153,622	-
Total Investments	3,971,058	2,560,956	1,410,102	-
Beneficial interest in perpetual trust	392,860	-	-	392,860
	<u>\$ 4,363,918</u>	<u>\$ 2,560,956</u>	<u>\$ 1,410,102</u>	<u>\$ 392,860</u>
<i>2012</i>				
Investments				
Money market funds	\$ 423,187	\$ 423,187	\$ -	\$ -
Fixed income securities	1,528,263	-	1,528,263	-
Equities	1,764,094	1,764,094	-	-
Tangible investments	161,465	-	161,465	-
Real estate	140,799	-	140,799	-
Total Investments	4,017,808	2,187,281	1,830,527	-
Beneficial interest in perpetual trust	346,935	-	-	346,935
	<u>\$ 4,364,743</u>	<u>\$ 2,187,281</u>	<u>\$ 1,830,527</u>	<u>\$ 346,935</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Level 2 assets are valued using the market value approach. Fair values for assets in Level 3 are calculated using the Organization's share of the total quoted market prices of securities in the perpetual trust.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Beneficial Interest in Perpetual Trust
December 31, 2012	\$ 346,935
Total gains or losses	45,925
December 31, 2013	<u>\$ 392,860</u>

Note D - Investments

Investments are summarized as follows at December 31:

	Market	Cost		Market	Cost
<i>2013</i>					
Money market funds	\$ 335,940	\$ 335,940			
Fixed income securities	1,155,071	1,143,028			
Equities	2,225,016	1,801,274			
Tangible investments	101,409	105,345			
Real estate	153,622	156,243			
	<u>\$ 3,971,058</u>	<u>\$ 3,541,830</u>			
<i>2012</i>					
Money market funds	\$ 423,187	\$ 423,187			
Fixed income securities	1,528,263	1,419,602			
Equities	1,764,094	1,666,968			
Tangible investments	161,465	194,657			
Real estate	140,799	141,433			
	<u>\$ 4,017,808</u>	<u>\$ 3,845,847</u>			

Homeless Emergency Project, Inc.

Notes To Financial Statements

December 31, 2013 And 2012

The investment return consists of the following for the years ended December 31:

	2013	2012
Dividends and interest	\$ 117,709	\$ 124,900
Realized gains and losses	116,063	210,326
Unrealized gains and losses	268,270	37,383
	<u>502,042</u>	<u>372,609</u>
Change in market value of beneficial interest in perpetual trust	45,925	19,039
	<u>\$ 547,967</u>	<u>\$ 391,648</u>

Note E - Promises To Give

Promises to give are comprised of several pledges restricted to be used for HEP West housing for U.S. veterans of the wars fought in Iraq and Afghanistan. Fair value for the promises to give of \$88,179 and \$54,176 as of December 31, 2013 and 2012, respectively, is determined by calculating the present value of the future payments expected to be received, using the payment schedule established by the donor and a discount rate of 3.34%. At December 31, 2013, promises to give are summarized as follows:

Expected receipt of contribution in:	
One year	\$ 64,803
Two years	10,400
Three years	10,400
Four years	3,400
Gross contributions receivable	89,003
Less discount for present value at 3.34%	(824)
Net contributions receivable	<u>\$ 88,179</u>

Note F - Endowments

The Organization's endowments include both donor-restricted and board-designated funds.

Donor Restricted

The endowment fund was established in 2006 with a donor restricted contribution of \$200,000. According to the agreement, the original \$200,000 corpus is not subject to withdrawal, and income from the fund is available for the purchase of fixed income assets and is only allowed to be withdrawn to the extent that the income, net of all expenses of the fund, exceeds one-half of the Consumer Price Index as published in the Wall Street Journal for the calendar year preceding any withdrawals. The right to withdrawal is non-cumulative.

With respect to the donor-restricted endowment, the Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (Florida UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the donor-restricted permanent endowment, (b) the original value of subsequent gifts to the donor-restricted permanent endowment, and (c) accumulations to the donor-restricted permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Florida UPMIFA.

In accordance with Florida UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Board Designated

The board designed endowment fund was established by the board of directors to benefit the Organization by providing regular, predictable operating income that will help fill gaps caused by increasing costs, demands, and the possibility of diminishing government support. Management expects the principal to be preserved; however, the principal and earnings are available to provide support for the Organization's programs and facilities

Homeless Emergency Project, Inc.
Notes To Financial Statements
December 31, 2013 And 2012

Investment Return Objectives, Risk Parameters, And Strategies

The Organization has adopted investment and spending policies, approved by the board of directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the objective for the portfolio is a balanced return focusing on capital appreciation with a secondary focus on current income through a higher allocation to equities than fixed income and where appropriate other asset classes.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Endowment net asset composition by type of fund is as follows as of December 31:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
<i>2013</i>				
Donor restricted endowment funds	\$ -	\$ -	\$ 222,614	\$ 222,614
Board designated endowment funds	3,672,391	-	-	3,672,391
	<u>\$ 3,672,391</u>	<u>\$ -</u>	<u>\$ 222,614</u>	<u>\$ 3,895,005</u>
<i>2012</i>				
Donor restricted endowment funds	\$ -	\$ 21,952	\$ 200,000	\$ 221,952
Board designated endowment funds	3,529,253	-	-	3,529,253
	<u>\$ 3,529,253</u>	<u>\$ 21,952</u>	<u>\$ 200,000</u>	<u>\$ 3,751,205</u>

Changes in endowment net assets are as follows for the years ended December 31:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
<i>2013</i>				
Endowment net assets, beginning	\$ 3,529,253	\$ 21,952	\$ 200,000	\$ 3,751,205
Contributions	11,112	-	-	11,112
Investment income	478,229	-	662	478,891
Distributions	(310,964)	-	-	(310,964)
Transfers between classes	-	(21,952)	21,952	-
Amounts appropriated for expenditure	(35,239)	-	-	(35,239)
Endowment net assets, ending	<u>\$ 3,672,391</u>	<u>\$ -</u>	<u>\$ 222,614</u>	<u>\$ 3,895,005</u>
<i>2012</i>				
Endowment net assets, beginning	\$ 3,153,442	\$ -	\$ -	\$ 3,153,442
Prior period adjustment	(220,783)	20,783	200,000	-
Endowment net assets, beginning - restated	2,932,659	20,783	200,000	3,153,442
Contributions	276,344	-	-	276,344
Investment income	316,124	1,082	-	317,206
Net appreciation (depreciation)	36,214	87	-	36,301
Amounts appropriated for expenditure	(32,088)	-	-	(32,088)
Endowment net assets, ending	<u>\$ 3,529,253</u>	<u>\$ 21,952</u>	<u>\$ 200,000</u>	<u>\$ 3,751,205</u>

Note G - Property And Equipment

Property and equipment consist of the following at December 31:

	2013	2012
Buildings	\$11,847,913	\$12,510,152
Building improvements	1,518,540	1,345,191
Construction in progress	5,540	5,540
Land	685,610	685,610
Land improvements	42,824	32,151
Furniture, fixtures, and equipment	1,041,030	830,831
	15,141,457	15,409,475
Less: accumulated depreciation	(3,683,801)	(3,419,297)
	\$11,457,656	\$11,990,178

Depreciation expense amounted to \$674,962 and \$520,862 for the years ended December 31, 2013 and 2012, respectively.

Note H - Beneficial Interest In Perpetual Trust

The Organization is an income beneficiary of a perpetual trust held by a third party. The Organization's beneficial interest in this perpetual trust is measured based on the fair value of the trust assets. The change in the fair value of the trust assets is reported as a permanently restricted gain or loss. Income distributions from the trust are reported as unrestricted contributions. The balance was \$392,860 and \$346,935 at December 31, 2013 and 2012, respectively.

Note I - Line Of Credit

During March 2009, the Organization entered into an agreement with Bank of America for a \$1.4 million line of credit to be used as a cash flow tool in construction of the service building. Borrowings under the credit line carry an interest rate of LIBOR plus 1.5% (1.67% and 1.71% at December 31, 2013 and 2012, respectively). The line of credit is due on demand and is collateralized by the unrestricted board designated assets, known as the quasi endowment fund. The amount outstanding was \$955,000 and \$1,055,000 as of December 31, 2013 and 2012, respectively. The Organization paid \$14,389 and \$18,613 in interest associated with this line of credit for the years ended December 31, 2013 and 2012, respectively.

Homeless Emergency Project, Inc.
Notes To Financial Statements
December 31, 2013 And 2012

Note J - Mortgage Payable

Mortgages payable, net of discounts where applicable consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Mortgages payable to Pinellas County (Pinellas County Community Development), no principal payments required, interest free, collateralized by real property, forgiven if the property continues to be used for its intended purpose through 2038. In the event the Organization was to dispose of or alter the use of the property within the specified time period, a pro rata share would be required to be returned to Pinellas County	\$ 309,268	\$ 309,268
Mortgage payable to Pinellas County (Community Development Block Grants/Entitlement Grants), no principal payments required, interest free, collateralized by real property, forgiven if the property continues to be used for its intended purpose through 2021. In the event the Organization was to dispose of or alter the use of the property within the specified time period, a pro rata share would be required to be returned to Pinellas County	\$ 100,000	\$ 100,000
Mortgage payable to Pinellas County (Home Investment Partnerships Program), monthly principal and interest payments of \$6,311 required beginning November 1, 2019, 3% interest annual rate, collateralized by real property, \$299,250 forgiven if the property continues to be used for its intended purpose through 2044.	1,800,000	1,665,320
Mortgage payable to City of Clearwater Economic Development and Housing Department (Pinellas County Community Housing Trust Fund Program - \$274,335 and Home Investment Partnerships Program - \$823,005), monthly principal and interest payments of \$3,365 required beginning January 2015, 3% interest annual rate, collateralized by real property, \$299,250 forgiven if the property continues to be used for its intended purpose through 2044. If the Organization was to dispose of or alter the use of the property within the specified time period, the entire loan balance and interest at 3% would be required to be paid to the City of Clearwater	1,097,340	1,026,771
Mortgage payable to Clearwater Homeless Intervention Project, Inc., no principal payments required, interest free, collateralized by real property, forgiven if the property continues to be used for its intended purpose through 2021. Beginning in 2016, \$41,667 will be forgiven each year after owning the property for five years. The principal and interest will be forgiven in full if the property is not sold within 10 years.	250,000	250,000
	<u>\$ 3,556,608</u>	<u>\$ 3,351,359</u>

Future principal maturities of mortgages payable are as follows:

Years ending December 31	
2014	\$ -
2015	16,663
2016	17,169
2017	17,692
2018	18,230
Thereafter	2,229,086
To be forgiven	<u>1,257,768</u>
	<u>\$ 3,556,608</u>

Homeless Emergency Project, Inc.

Notes To Financial Statements

December 31, 2013 And 2012

Note K - Leases

The Organization leases real property from Everybody's Tabernacle for its service building at an annual nominal rate of \$12,000 per year for a term of 20 years expiring 2028, compounding at a rate of 2% per year.

The dental clinic, as well as the houses and dormitories used in emergency and transitional housing for the homeless, are leased from Everybody's Tabernacle for 1 year at \$1 per year. The fair rental value of \$391,623 and \$399,561 was recognized as in-kind contributions revenue and in-kind lease space expenses in the accompanying financial statements for the years ended December 31, 2013 and 2012, respectively.

Note L - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of December 31:

	2013	2012
Learning Center	\$ -	\$ 79,002
Promises to give	46,120	-
HEP West housing for U.S. veterans of the wars fought in Iraq and Afghanistan	144,674	232,054
Endowment	-	21,952
Dental clinic	-	2,200
Meal service	-	8,933
	<u>\$ 190,794</u>	<u>\$ 344,141</u>

Note M - Permanently Restricted Net Assets

Permanently restricted net assets consist of the beneficial interest in perpetual trust (Note H) and the donor-restricted endowment (Note F). At December 31, 2013 and 2012, the permanently restricted net asset balance was \$615,474 and \$546,935, respectively.

Note N - Related Parties

The Organization is affiliated with Everybody's Tabernacle (Church), a local community church. The pastor serves on the board of directors. In 2013 and 2012, the Church leased real property to the Organization for a nominal rate.

For the years ended December 31, 2013 and 2012, the Church reimbursed the Organization approximately \$20,000 and \$21,000, respectively, for salaries and benefits for the Church's receptionist.

The chairman of the board for the Organization is the executive vice president of an investment advisory firm, which provides investment advice at no cost.

The Organization rents two houses from its president/chief executive officer for \$1,500 a month. Total rent paid to the chief executive officer for the years ended December 31, 2013 and 2012 was \$18,000.

A board member's company was awarded a contract for approximately \$2,800,000 for the construction of the HEP West Apartments for veterans fought in Iraq and Afghanistan" rental units. As of December 31, 2012, the Organization owed \$0 related to this contract.

During the year ended December 31, 2012, the board member's company provided in-kind project management services of \$35,750. The contract was completed during 2012.

Note O - In-Kind Revenue And Expenses

Included as unrestricted support and expense are the following in-kind contributions for the year ended December 31:

	2013	2012
Food	\$ 265,608	\$ 54,960
Lease space	391,623	399,561
Dental services	660,951	314,145
Psychiatric counseling	324,600	312,734
Project management	-	35,750
Professional services	26,006	41,385
Thrift store	58,854	64,431
Other	28,492	-
	<u>\$ 1,756,134</u>	<u>\$ 1,222,966</u>

As discussed in Note A, contributed services and tangible donations are recorded at their estimated fair values. The Thrift Store in-kind contributions recorded above are only for clothing provided to clients.

Homeless Emergency Project, Inc.

Notes To Financial Statements

December 31, 2013 And 2012

Note P - Contingencies

The Organization is subject to federal and state examination to determine compliance with grant funding requirements. In the event that expenditures are disallowed, repayment could be required. It is the opinion of management that no expenditures will be disallowed.

In 2007, the Organization expended a \$485,500 grant from the state of Florida that was passed through the Pinellas County Coalition for the Homeless, Inc. (Coalition) to fund a portion of the construction of Fairburn Apartments. The grant stipulates that the Coalition will have a security interest in the property equal to the funds provided for five years from the date of completion of the project. In the event the Organization were to dispose of or alter the use of the property, the Organization would be required to repay the Coalition the funds provided under the grant agreement less any depreciation in the value of the property. The Fairburn Apartments were completed during January 2008.

Note Q - Subsequent Events

Management has evaluated all events subsequent to the statement of financial position date of December 31, 2013 through March 31, 2014, which is the date the financial statements were available to be issued. There were no subsequent events which would require adjustment to or disclosure in the accompanying financial statements.

Supplementary Information

Homeless Emergency Project, Inc.
 Schedule Of Expenditures Of Federal Awards
 Year Ended September 30, 2013

Federal Agency Pass-through Entity Federal Program/State Project	CFDA Number	Federal Award	Expenditures
U.S. Department of Housing and Urban Development			
Passed through Pinellas County Community Development Block Grants	14.218	\$ 100,000 *	\$ 100,000
Passed through City of Clearwater Community Development Block Grants	14.218	20,938	20,938
Total for CFDA #14.218		<u>120,938</u>	<u>120,938</u>
Direct Award Supportive Housing Program	14.235	330,532	195,893
Passed through City of Clearwater HOME Investment Partnerships Program	14.239	823,005 *	823,005
Passed through Pinellas County HOME Investment Partnerships Program	14.239	1,800,000 *	1,800,000
Total for CFDA #14.239		<u>2,623,005</u>	<u>2,623,005</u>
Total U.S. Department of Housing and Urban Development		3,074,475	2,939,836
U.S. Department of Veteran Affairs			
Direct Award VA Homeless Per Diem Programs	64.024	486,251	486,251
U.S. Department of Health and Human Services			
Direct Award Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1,995,808	384,536
U.S. Department of Homeland Security			
Passed Through United Way of Tampa Bay Emergency Food and Shelter National Board Program	97.024	17,835	7,299
Total Expenditures Of Federal Awards		<u>\$ 5,574,369</u>	<u>\$ 3,817,922</u>

* This represents the balance of a loan from a previous year for which the federal government imposes continuing compliance requirements

Note A - Basis Of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activities of Homeless Emergency Project, Inc. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Some amounts presented in the schedule may differ from amounts presented or used in the preparation of the financial statements.

Note B - Summary Of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or limited as to reimbursement.

Note C - Contingencies

Expenditures incurred by Homeless Emergency Project, Inc. are subject to audit and possible disallowance by the federal grantor agencies. Management believes that, if audited, any adjustment for disallowed expenses would be immaterial.



**Independent Auditor's Report On Internal Control
Over Financial Reporting And On Compliance And Other Matters
Based On An Audit Of Financial Statements Performed
In Accordance With *Government Auditing Standards***

Board of Directors
Homeless Emergency Project, Inc.
Clearwater, Florida

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 Homeless Emergency Project, Inc., which are comprised of the statement of financial position as of December 31, 2013, 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 March 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Homeless Emergency Project 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Homeless Emergency Project Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Homeless Emergency Project 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. However, material weaknesses may exist that have not been identified.

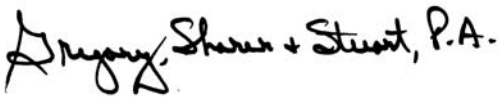
Compliance And Other Matters

As part of obtaining reasonable assurance about whether Homeless Emergency Project, Inc.'s financial statements are free from material misstatement, we performed tests of their 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 Homeless Emergency Project, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Homeless Emergency Project, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gregory, Sharer & Stuart, P.A.

A handwritten signature in black ink that reads "Gregory, Sharer & Stuart, P.A." with a stylized flourish at the end.

St. Petersburg, Florida
March 31, 2014



**Independent Auditor's Report On Compliance
For Each Major Federal Program And Report
On Internal Control Over Compliance**

Board of Directors
Homeless Emergency Project, Inc.
Clearwater, Florida

Report On Compliance For Each Major Federal Program

We have audited Homeless Emergency Project Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Homeless Emergency Project Inc.'s major federal programs for the year ended December 31, 2013. Homeless Emergency Project 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Homeless Emergency Project 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Homeless Emergency Project 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 Homeless Emergency Project Inc.'s compliance.

Opinion On Each Major Federal Program

In our opinion, Homeless Emergency Project 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 December 31, 2013.

Report On Internal Control Over Compliance

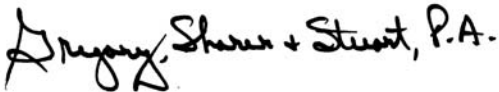
Management of Homeless Emergency Project Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Homeless Emergency Project Inc.'s internal 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 OMB Circular A-133, 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 Homeless Emergency Project 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gregory, Sharer & Stuart, P.A.

Handwritten signature in black ink that reads "Gregory, Sharer & Stuart, P.A." with a stylized flourish at the end.

St. Petersburg, Florida
March 31, 2014

Homeless Emergency Project, Inc.
Schedule of Findings And Questioned Costs
Federal Programs
Year Ended December 31, 2013

Section I - Summary Of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? Yes X No
 Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor's reports issued on compliance for federal awards: Unqualified

Internal control over major federal programs:
 Material weakness(es) identified? Yes X No
 Significant deficiency(ies) identified? Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Investment Partnerships Program
64.024	VA Homeless Per Diem Programs

Dollar threshold used to distinguish between type A and type B programs \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

Section II - Financial Statement Findings

None reported.

Section III - Federal Awards Findings And Questioned Costs

None reported.

Section IV - Other Matters

No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs.

No Corrective Action Plan is required because there were no findings required to be reported related to federal programs.