

**GATEWAY HOMELESS SERVICES, INC.
D/B/A GATEWAY 180 :: HOMELESSNESS REVERSED
(A NONPROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
WITH ACCOMPANYING SINGLE AUDIT
AND OMB CIRCULAR A-133 REPORTS
FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed

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Independent Auditors' Report

Board of Directors
Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
St. Louis, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, 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.

Auditors' 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 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 Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed as of December 31, 2014 and 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

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 May 19, 2015, on our consideration of Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed'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 Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed's internal control over financial reporting and compliance.

Schmorsahl Telou & Co, PC

St. Louis, Missouri

May 19, 2015

FINANCIAL STATEMENTS

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
STATEMENTS OF FINANCIAL POSITION

ASSETS		December 31,	
		2014	2013
CURRENT ASSETS			
Cash and cash equivalents		\$ 140,186	\$ 51,608
Cash restricted for long-term debt		11,000	11,000
Contracts and grants receivable (Note B)		269,934	153,033
Prepaid expenses		12,584	11,303
Total Current Assets		433,704	226,944
PROPERTY AND EQUIPMENT, net of accumulated depreciation (Note C)			
		1,149,168	1,188,972
TOTAL ASSETS		\$ 1,582,872	\$ 1,415,916
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Lines of credit (Note E)		\$ 20,976	\$ 48,649
Accounts payable and accrued expenses		61,195	84,425
Current portion of long-term debt (Note F)		4,523	29,627
Client deposits		18,000	12,496
Deferred revenue		59,761	38,400
Total Current Liabilities		164,455	213,597
LONG-TERM DEBT (Note F)			
		73,776	78,568
Total Liabilities		238,231	292,165
NET ASSETS			
Unrestricted		1,243,207	989,354
Temporarily restricted (Note G)		101,434	134,397
Total Net Assets		1,344,641	1,123,751
TOTAL LIABILITIES AND NET ASSETS		\$ 1,582,872	\$ 1,415,916

See accompanying notes to financial statements

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
STATEMENT OF ACTIVITIES

	Year Ended December 31, 2014		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 351,566	\$ 31,641	\$ 383,207
Donated materials and services	281,569	-	281,569
Contracts and grants	1,556,347	-	1,556,347
Loss on disposal of property and equipment	(101)	-	(101)
Other	8,475	-	8,475
Released from restrictions	<u>64,604</u>	<u>(64,604)</u>	<u>-</u>
Total Revenues and Other Support	<u>2,262,460</u>	<u>(32,963)</u>	<u>2,229,497</u>
EXPENSES			
Program Services	<u>1,614,705</u>	<u>-</u>	<u>1,614,705</u>
Supporting Services			
Management and general	156,834	-	156,834
Fundraising	<u>237,068</u>	<u>-</u>	<u>237,068</u>
Total Supporting Services	<u>393,902</u>	<u>-</u>	<u>393,902</u>
Total Expenses	<u>2,008,607</u>	<u>-</u>	<u>2,008,607</u>
Change in Net Assets	253,853	(32,963)	220,890
NET ASSETS, Beginning of year	<u>989,354</u>	<u>134,397</u>	<u>1,123,751</u>
NET ASSETS, End of year	<u>\$ 1,243,207</u>	<u>\$ 101,434</u>	<u>\$ 1,344,641</u>

See accompanying notes to financial statements

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
STATEMENT OF ACTIVITIES

	Year Ended December 31, 2013		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 373,669	\$ 68,423	\$ 442,092
Donated materials and services	113,425	-	113,425
Contracts and grants	865,291	-	865,291
Loss on disposal of property and equipment	-	-	-
Other	6,290	-	6,290
Released from restrictions	<u>6,416</u>	<u>(6,416)</u>	<u>-</u>
Total Revenues and Other Support	<u>1,365,091</u>	<u>62,007</u>	<u>1,427,098</u>
EXPENSES			
Program Services	<u>1,255,470</u>	<u>-</u>	<u>1,255,470</u>
Supporting Services			
Management and general	149,476	-	149,476
Fundraising	<u>206,679</u>	<u>-</u>	<u>206,679</u>
Total Supporting Services	<u>356,155</u>	<u>-</u>	<u>356,155</u>
Total Expenses	<u>1,611,625</u>	<u>-</u>	<u>1,611,625</u>
Change in Net Assets	(246,534)	62,007	(184,527)
NET ASSETS, Beginning of year	<u>1,235,888</u>	<u>72,390</u>	<u>1,308,278</u>
NET ASSETS, End of year	<u>\$ 989,354</u>	<u>\$ 134,397</u>	<u>\$ 1,123,751</u>

See accompanying notes to financial statements

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	Program Services	Supporting Services		Total Expenses
		Management and General	Fund- Raising	
Personnel	\$ 708,288	\$ 132,214	\$ 103,882	\$ 944,384
Other housing programs	294,719	-	-	294,719
Donated materials and services	281,569	-	-	281,569
Promotion	-	-	87,025	87,025
Utilities	61,939	6,435	12,066	80,440
Food and program activities	62,801	-	-	62,801
Professional fees	33,088	3,438	6,446	42,972
Shelter operations	30,359	-	-	30,359
Property maintenance	22,101	2,296	4,305	28,702
Insurance	17,189	1,786	3,348	22,323
Equipment rental and maintenance	15,356	1,595	2,990	19,941
Transportation	10,528	1,094	2,051	13,673
Office supplies	7,185	747	1,400	9,332
Telephone	5,718	594	1,114	7,426
Interest expense	5,659	588	1,102	7,349
Miscellaneous	351	36	68	455
Total Expenses Before Depreciation	1,556,850	150,823	225,797	1,933,470
Depreciation	57,855	6,011	11,271	75,137
Total Expenses	<u>\$ 1,614,705</u>	<u>\$ 156,834</u>	<u>\$ 237,068</u>	<u>\$ 2,008,607</u>

See accompanying notes to financial statements

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013

	Program Services	Supporting Services		Total Expenses
		Management and General	Fund- Raising	
Personnel	\$ 672,296	\$ 125,495	\$ 98,603	\$ 896,394
Other housing programs	173,309	-	-	173,309
Donated materials and services	113,425	-	-	113,425
Promotion	-	-	73,440	73,440
Utilities	40,201	4,639	6,700	51,540
Food and program activities	64,630	-	-	64,630
Professional fees	24,847	2,867	4,141	31,855
Shelter operations	23,976	-	-	23,976
Property maintenance	24,079	2,778	4,014	30,871
Insurance	24,664	2,846	4,110	31,620
Equipment rental and maintenance	6,720	775	1,119	8,614
Transportation	5,919	683	987	7,589
Office supplies	11,454	1,322	1,908	14,684
Telephone	3,104	358	517	3,979
Interest expense	5,374	620	896	6,890
Miscellaneous	843	97	140	1,080
Total Expenses Before Depreciation	1,194,841	142,480	196,575	1,533,896
Depreciation	60,629	6,996	10,104	77,729
Total Expenses	<u>\$ 1,255,470</u>	<u>\$ 149,476</u>	<u>\$ 206,679</u>	<u>\$ 1,611,625</u>

See accompanying notes to financial statements

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 220,890	(\$ 184,527)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	75,137	77,729
Loss on disposal of property and equipment	101	-
(Increase) decrease in assets:		
Contracts and grants receivable	(116,901)	(41,090)
Prepaid expenses	(1,281)	1,532
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(23,230)	24,795
Client deposits	5,504	(1,011)
Deferred revenue	21,361	400
	<u>181,581</u>	<u>(122,172)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(35,434)	(2,519)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of long-term debt	-	27,600
Payments on long-term debt	(29,896)	(6,240)
Proceeds from lines of credit	-	29,000
Payments on lines of credit	(27,673)	(2,803)
	<u>(57,569)</u>	<u>47,557</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	88,578	(77,134)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>62,608</u>	<u>139,742</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 151,186</u>	<u>\$ 62,608</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 7,349</u>	<u>\$ 6,890</u>

See accompanying notes to financial statements

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

A. **SIGNIFICANT ACCOUNTING POLICIES**

Organization

Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed (“Gateway”) is a not-for-profit organization that provides shelter, food, and other life sustaining materials and activities for destitute families, children and the homeless in the City of St. Louis. Gateway was established in 1975 and was formerly known as Christian Service Center of St. Louis, Inc.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues and support, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Gateway and changes therein are classified into three categories of net assets, as applicable, and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Gateway and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions which are received and released in the same fiscal year are reported as increases in unrestricted net assets.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Gateway. The income earned on any related investments would also be subject to donor-imposed stipulations. Currently, Gateway has no permanently restricted net assets.

Support and Revenue

Contributions, including unconditional promises to give, are recorded as made. All 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. Unconditional promises to give due in the next year are recorded at their net realizable value.

Functional Expenses

The costs of providing programs and activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

A. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from estimates.

Property and Equipment

Property and equipment are recorded at cost for purchased items or fair value for donated assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings and Improvements	10 - 39 years
Furniture, fixtures, and equipment	3 - 10 years
Vehicles	5 years

Expenditures for maintenance and repairs are charged to expense as incurred while renewals and betterments greater than \$5,000 are capitalized.

Income Taxes

Gateway qualifies as a nonprofit organization and is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code. Gateway does not have unrelated business income, excise taxes, or activities that would threaten Gateway's tax-exempt status. Accordingly, no provision for federal or state income taxes is provided. Gateway files an information return, IRS Form 990. The Organization's tax returns for tax years 2011 and later remain subject to examination by taxing authorities.

Gateway adopted the provisions relating to Accounting for Uncertainty in Income Taxes and management is not aware of any uncertain tax positions of Gateway related to tax filings for the years ending December 31, 2014 and 2013.

Compensated Absences

Compensated absences accrue at different rates for employees depending on length of service with Gateway. The financial statements reflect a compensated absences payable balance of \$13,017 and \$10,319 at December 31, 2014 and 2013, respectively.

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

A. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Financial Instruments

The following methods and assumptions were used by Gateway in estimating its fair value disclosure for financial instruments:

The carrying amounts of cash and cash equivalents, contracts and grants receivable, prepaid expenses, accounts payable and accrued expenses, client deposits, and deferred revenue approximate fair values because of the short-term maturities of these instruments.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, Gateway considers all unrestricted highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Gateway maintains cash deposits in bank accounts which at times may exceed the federally insured limits of up to \$250,000 at each institution. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. At December 31, 2014 and 2013, there were no amounts in excess of the federally insured limits.

Restricted Cash

Gateway has cash restricted for the purpose of maintaining available cash for payments of interest and principal on the loan agreement to IFF that Gateway entered into effective in January 2012 (See Note F).

Subsequent Events

In preparing these financial statements, Gateway has evaluated events and transactions for potential recognition or disclosure through May 19, 2015, the date the financial statements were available to be issued.

B. **CONTRACTS AND GRANTS**

Gateway's contract with the City of St. Louis Affordable Housing Commission in 2014 and 2013 was established to provide the homeless with certain units of essential services, which represents a significant portion of revenue and other support.

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

B. CONTRACTS AND GRANTS (Continued)

Contracts and grants receivable consist of the following at December 31:

	2014	2013
Affordable Housing Commission	\$129,628	\$ 53,349
Emergency Shelter Grant	63,000	-
Children Service Fund	53,505	-
Missouri Department of Health	14,533	22,122
Emergency Shelter Grant - BEACH	9,268	49,540
Supportive Housing Program	-	28,022
	<u>\$269,934</u>	<u>\$153,033</u>

Contracts and grants revenue consist of the following at December 31:

	2014	2013
Children Service Fund	\$ 501,368	\$ -
Affordable Housing Commission	377,569	351,498
Emergency Shelter Grant – BEACH	328,910	151,172
Missouri Department of Health	158,459	147,141
Supportive Housing Program	100,041	140,424
Emergency Shelter Grant	63,000	75,056
Missouri Housing Trust Fund - ADA	27,000	-
	<u>\$1,556,347</u>	<u>\$865,291</u>

C. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2014	2013
Buildings and improvements	\$1,607,388	\$1,569,539
Furniture, fixtures, and equipment	109,953	146,810
Vehicles	69,579	69,579
Construction in progress	-	2,415
	1,786,920	1,788,343
Less: accumulated depreciation	<u>637,752</u>	<u>599,371</u>
	<u>\$1,149,168</u>	<u>\$1,188,972</u>

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

C. **PROPERTY AND EQUIPMENT** *(Continued)*

Disposals consist of the following at December 31, 2014:

	Cost	Accumulated Depreciation	Realized Loss
Furniture, fixtures, and equipment	\$36,857	\$36,756	(\$101)
Total Disposal of Property and Equipment	\$36,857	\$36,756	(\$101)

There were no asset disposals at December 31, 2013.

D. **RETIREMENT PLAN**

Gateway maintains a 403(b) Pension Plan for all employees meeting certain eligibility requirements. No employer contributions were made for the years ended December 31, 2014 and 2013.

E. **LINE OF CREDIT AGREEMENTS**

Gateway has a \$25,000 revolving line of credit agreement with a bank that is unsecured. Interest is payable at prime rate (3.25% at December 31, 2014) plus 2.50%. Gateway renews this line of credit annually and it currently expires on October 23, 2015. The outstanding balance was \$20,976 and \$23,753 at December 31, 2014 and 2013, respectively.

During 2013, Gateway opened a \$25,000 line of credit agreement with a bank that was personally guaranteed by a board member. Interest was payable at a fixed rate of 5.00%. Gateway had extended the terms of the line of credit to April 30, 2014. The outstanding balance was paid off during 2014 and the line of credit closed.

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

F. LONG-TERM DEBT

Long-term debt consists of the following:

	2014	2013
Note payable to a bank with interest at 5.00% per annum. Interest and principal were payable at \$2,363 per month with the balance due November 1, 2014, secured by cash balances held at the bank. This note was paid off in November 2014.	\$ -	\$ 25,367
Note payable to IFF with interest at 6.00% per annum. Interest and principal are payable at \$759 per month with the balance due March 1, 2027, secured by a Deed of Trust on real estate.	78,299	82,828
	78,299	108,195
Less: current portion of long-term debt	(4,523)	(29,627)
Long-Term Debt	\$73,776	\$ 78,568

The future maturities of notes payable at December 31, 2014 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2015	\$ 4,523
2016	4,802
2017	5,098
2018	5,413
2019	5,746
Thereafter	<u>52,717</u>
Total	<u>\$78,299</u>

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

G. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are \$101,434 and \$134,397 at December 31, 2014 and 2013, respectively, and are restricted for the following purposes:

	2014	2013
Life safety project (NAP)	\$ 42,977	\$ 35,000
Kitchen remodeling	21,099	24,400
Organizational Development	20,000	-
Other	8,259	8,390
Computer lab	8,099	18,584
General shelter operations	1,000	33,175
Alan Green's children's room	-	14,848
Total	\$101,434	\$134,397

H. DONATED MATERIALS AND SERVICES

Many volunteers have donated significant amounts of their time to Gateway's program services. These services do not meet the criteria for recognition under Generally Accepted Accounting Principles. Also, local businesses and individuals contributed a significant amount of food and supplies used in Gateway's shelter and food pantry operations. Donated materials are recorded at estimated fair value. Gateway has recorded \$281,569 and \$113,425 at December 31, 2014 and 2013, respectively, as donated materials revenue and expense.

From time to time, Gateway receives the services of local entities for various marketing and promotional materials and financial expertise. These services are recorded at estimated fair value. There were no donated services received for the year ended December 31, 2014 and 2013.

I. LEASE COMMITMENTS

Gateway leases warehouse space under an agreement which expired in July 2013. In July 2013, the lease was extended until July 2018 and calls for monthly payments of \$1,320.

Gateway leases equipment under various agreements with varying expiration dates including some month-to-month leases.

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

I. **LEASE COMMITMENTS** *(Continued)*

The following are the minimum lease payments for the year ending:

<u>December 31,</u>	<u>Amount</u>
2015	22,860
2016	21,105
2017	15,840
2018	<u>9,240</u>
	<u>\$ 69,045</u>

Lease expense was \$22,860 and \$22,806 for the years ended December 31, 2014 and 2013, respectively.

J. **CONTINGENCIES**

Gateway receives federal awards and other funding in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of Gateway. However, in the opinion of management, any disallowed claims would not have a material effect on the financial statements of Gateway.

**SUPPLEMENTAL
INFORMATION**

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Passed-through the City of St. Louis, Missouri			
Emergency Solutions Grant Program			
Emergency Solutions	14.231	61-077-4007	\$ 63,000
Emergency Solutions – Beach/Reveille	14.231	61-077-4007	<u>328,910</u>
Total Emergency Solutions Grant Program			391,910*
Supportive Housing Program	14.235	MO 0126B7E010900	<u>100,041</u>
Subtotal - U.S. Department of Housing and Urban Development			491,951
U.S. Department of Agriculture:			
Passed-through the Missouri Department of Health and Senior Services			
Child and Adult Care Food Program	10.558	ERS4611-888	<u>158,459</u>
Total Expenditures of Federal Awards			<u>\$650,410</u>

* Major Program

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2014

A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed and is presented on the accrual basis of accounting. 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.

**ADDITIONAL
INDEPENDENT
AUDITORS'
REPORTS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
St. Louis, Missouri

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 Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 19, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying summary schedule of prior auditing findings as item 2013-1 and 2013-2.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schmiedel Tuller & Co, PC

St. Louis, Missouri

May 19, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
St. Louis, Missouri

Report on Compliance for Each Major Federal Program

We have audited Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed'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 Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed's major federal programs for the year ended December 31, 2014. Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed'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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed'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 Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed'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 Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed's compliance.

Opinion on Each Major Federal Program

In our opinion, Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed 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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying summary schedule of prior audit findings as items 2013-1 and 2013-2. Our opinion on each major federal program is not modified with respect to these matters.

Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed 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 Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed'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 Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed'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.

A handwritten signature in black ink that reads "Scherach Tulon & Co, PC". The signature is written in a cursive, flowing style.

St. Louis, Missouri
May 19, 2015

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2014

- (1) Summary of Auditors' Results
 - (1) The type of report issued on the financial statements: **unqualified opinion.**
 - (2) Significant deficiencies in internal control were disclosed by the audit of the Financial Statements: **no** Material weaknesses: **no.**
 - (3) Noncompliance which is material to the financial statements: **no.**
 - (4) Significant deficiencies in internal control over major programs: **none reported** Material weaknesses: **no.**
 - (5) The type of report issued on compliance for major programs: **unqualified opinion.**
 - (6) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **no.**
 - (7) Major programs: **Emergency Solutions Grant Program CFDA #14.231.**
 - (8) Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000.**
 - (9) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **no.**
- (2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*: **see attached comment letter**
- (3) There were no new findings and questioned costs relating to federal awards.

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2014

2013-1 FINDING – Noncompliance with Reporting Contract Provision

Condition

Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed did not comply with a provision in the contract with the City of St. Louis Department of Human Services related to the Emergency Solutions Grant Program CFDA #14.231 and the Supportive Housing Program CFDA #14.235.

Criteria

In accordance with Section 3 Reporting Requirements of the contract, Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed is required to timely file reports to the City of St. Louis by the 15th of the subsequent month.

Observation

Out of the three months selected for testing and a total of nine reports reviewed, six reports were filed after the 15th of the subsequent month. This was due in part because Gateway had not received a fully executed contract from the City of St. Louis. The remaining report submissions were from 1 to 5 days late.

Recommendation

Excluding instances related to lack of fully executed contracts, Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed needs to put more emphasis on timely submission of invoices and reports to grantors. This may require creation and implementation of policies, procedures, and additional staffing to ensure deadlines are met as stated in grant documents.

Status

Issue is resolved.

2013-2 FINDING – Noncompliance with Billing Contract Provision

Condition

Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed did not correctly calculate expenses in accordance with the contract with the City of St. Louis Department of Human Services related to the Emergency Solutions Grant Program CFDA #14.231 and the Supportive Housing Program CFDA #14.235.

Criteria

There were immaterial variations between amounts reported to the City of St. Louis and the calculation of the payment which was received by Gateway Homeless Services, Inc. d/b/a Gateway 180 :: Homelessness Reversed.

Gateway Homeless Services, Inc.
d/b/a Gateway 180 :: Homelessness Reversed
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2014

2013-2 FINDING – Noncompliance with Billing Contract Provision *(Continued)*

Observation

During our analysis of the government reports required by government grantees, we noted that there were immaterial amounts in the calculations for reimbursements on the reports tested which were rejected by the City of St. Louis. This is due to changes by the funding agency in the calculation methodology. Due to timing of reports and calculation adjustments by the funder for amounts that are cumulative in nature produced additional adjustments.

Recommendation

Additional communication between the organization and the funding agency may be necessary in order to achieve a better understanding of calculations.

Status

Unresolved.