



Dave Yost • Auditor of State

**SUNSHINE OF WARREN-TRUMBULL AREA INC.
TRUMBULL COUNTY**

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Dave Yost • Auditor of State

Sunshine of Warren-Trumbull Area Inc.
Trumbull County
418 Main Ave SW Suite 205
Warren, Ohio 44481-1060

To the Board of Directors:

We have selectively tested certain accounts, financial records, files, and reports of the Sunshine of Warren-Trumbull Area Inc., Trumbull County, Ohio, (the Organization) as of and for the year ended December 31, 2012, under the authority of Ohio Revised Code Section 117.10 and following Ohio Admin. Code Section 117-4-02. We have also selectively tested certain financial records, files, and reports over Federal compliance for the years ending December 31, 2008 through 2013.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Financial statement related comments are items 2012-001 through 2012-005 and Federal related comments are items 2012-001 through 2012-003. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and are not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State
Columbus, Ohio

February 26, 2016

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Balance Sheet (Accrual)
Consolidated Statement (All Properties)
January 2012 - December 2012

ASSETS

CASH

Checking Account-Huntington Bank	-3,870.68
Construction Escrow-1st Place Bank	17,577.62
TOTAL CASH	<u>13,706.94</u>

Rent Receivable	10,941.61
Reserve for bad debts	4,500.00

L/C Receivable-Payton	2,000.00
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L/C Receivable-Jarrett	19,176.77
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L/C Receivable-Charlton	5,695.82
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L/C Receivable-Bell	16,135.99
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L/C Receivable-Rogers	14,389.93
Notes Receivable	3,629,530.00
Accrued interest receivable	2,729,750.00
Notes Receivable - WNR	8,738.00
Mortgage note receivable	16,555.00
Investments	800.00
Other Security Deposits	372.00

CONSTRUCTION IN PROGRESS

Developer's Fee & Overhead	96,616.50
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PROPERTY

Land	73,745.80
Buildings	3,439,970.93
-Realty Depreciation	-1,866,757.94
Other Improvements	309,998.00
-Improvement Depreciation	-0.10
Office Furniture & Equipment	30,999.26
-Personal Prop. Depreciation	-32,340.61
TOTAL PROPERTY	<u>4,794,036.84</u>

TOTAL ASSETS	<u><u>8,515,523.90</u></u>
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LIABILITIES & CAPITAL

LIABILITIES

Mortgage Payable to HUNTINGTON	663,733.17
Mortgage Payable to FARMERS	126,436.00
Mortgages Payable to City HOME	737,577.63
Note Payable - Trumbull County	304,500.00
Note Payable - LISC	5,560.79
Note Payable - WRAP	12,000.00
Note Payable - Hunt. LOC	20,000.00
Note Payable to City of Warren	1,674,530.00
Note Payable-City/wk-cap	15,000.00
Note Payable-City-NSP	50,000.00
Deferred Ohio Home Grant	1,642,681.00
Accounts Payable	45,713.39

Balance Sheet (Accrual)
Consolidated Statement (All Properties)
January 2012 - December 2012

Prepaid Rent	95.00
Accrued Property Taxes	172,296.82
Bell Escrow Payable	2,282.15
Rogers escrow payable	720.00
Kelley escrow payable	137.55
Security Deposits	17,491.50
Pet Deposits	900.00
TAX LIABILITIES	
Federal Tax Withholding Payable	485.57
City Withholding Payable	240.30
State Withholding Payable	-376.20
FICA/Social Security Tax Payable	551.70
Medicare Tax Payable	144.01
Simple IRA Liability	154.38
Garnishment Payable	163.99
TOTAL TAX LIABILITIES	<u>198,657.30</u>
TOTAL LIABILITIES	5,493,018.75
CAPITAL	
Net Assets-Unrestricted	3,100,458.86
Prior Years Retained Earnings	<u>-77,953.71</u>
TOTAL CAPITAL	3,022,505.15
TOTAL LIABILITIES & CAPITAL	<u><u>8,515,523.90</u></u>

Income Statement (Accrual)
Consolidated Statement
December 2012

	Month to Date	%	Year to Date	%
INCOME				
RENT INCOME				
Rent	5,864.00	0	71,032.25	0
HAP	9,481.00	0	109,435.00	0
Office Rent	0.00	0	6,000.12	0
NET RENT INCOME	15,345.00	0	186,467.37	0
EXPENSE REIMBURSEMENT				
Passthru Insurance	15.00	0	180.00	0
Passthru Ins & Taxes	195.30	0	1,688.25	0
Passthru Legal Fees	0.00	0	200.00	0
TOTAL REIMBURSEMENT	210.30	0	2,068.25	0
OTHER INCOME				
Home Grant-City	6,595.00	0	53,062.70	0
NSP Grant Income	0.00	0	151,063.00	0
Miscellaneous Income	-10,000.00	0	1,529.43	0
NSF Fee	0.00	0	25.00	0
Application Fee	0.00	0	180.00	0
Interest on Land Contracts	296.21	0	3,257.67	0
Interest on project loans	279,963.00	0	279,963.00	0
Developer Fees	7,000.00	0	11,500.00	0
Oversight Fees	0.00	0	29,782.00	0
Royalties	0.69	0	269.64	0
Insurance Proceeds	0.00	0	44,800.00	0
Sale of Property	4,130.00	0	76,371.50	0
Cost of developed homes	171,654.17	0	171,654.17	0
Declining balance mortgage reserve	-1,505.00	0	-1,505.00	0
Late Fee	200.00	0	1,625.00	0
TOTAL OTHER INCOME	115,025.73	0	480,269.77	0
TOTAL INCOME	130,581.03	0	668,805.39	0
EXPENSES				
DIRECT EXPENSES				
Other Repair & Maintenance	9,852.40	0	49,988.76	0
Plumbing	500.00	0	7,250.00	0
HVAC (Heat, Ventilation, Air)	0.00	0	2,282.50	0
Grounds	0.00	0	8,307.50	0
Security Service	2,779.82	0	2,779.82	0
Property Insurance	110.16	0	15,132.57	0
Rental Permits	0.00	0	3,121.00	0
Property Tax	3,409.31	0	22,316.95	0
Electricity	383.58	0	6,334.78	0
Gas	449.79	0	4,657.70	0
Water, Sewer & Sanitation	560.07	0	4,269.67	0
Storm water	0.00	0	3,698.77	0
Survey, Appraisal & Clearance	2,287.00	0	2,287.00	0
Lead Clearance Inspections	0.00	0	2,340.00	0
Selling, closing costs	-5,280.00	0	0.00	0
Pest Control Services	0.00	0	957.64	0
TOTAL DIRECT EXPENSES	15,052.13	0	135,724.66	0

**Income Statement (Accrual)
Consolidated Statement
December 2012**

	Month to Date	%	Year to Date	%
GENERAL & ADMINISTRATIVE				
Office Rent	550.00	0	6,600.00	0
Office Utilities	115.12	0	1,740.52	0
Office Telephone	287.07	0	2,858.27	0
Office Expenses	360.21	0	5,694.62	0
Postage	0.00	0	217.29	0
Advertising & Promotion	41.70	0	659.28	0
Legal	0.00	0	128.00	0
Accounting & Audit	450.00	0	1,130.00	0
Education & Conference	0.00	0	66.04	0
Miscellaneous Expense	-3,000.00	0	197.57	0
Bank Fees	0.00	0	436.93	0
Bank Error	0.00	0	-0.10	0
PAYROLL EXPENSE				
Wages Expense	3,076.94	0	40,000.22	0
Contract Services	2,900.00	0	37,700.00	0
Payroll Taxes	405.11	0	3,229.91	0
Hospitalization Insurance	1,036.34	0	16,666.10	0
Employer IRA expense	92.30	0	1,199.90	0
TOTAL PAYROLL	7,510.69	0	98,796.13	0
TOTAL G & A EXPENSE	6,314.79	0	118,524.55	0
DEPRECIATION EXPENSE				
Depreciation-Real Property	127,763.56	0	127,763.56	0
Depreciation-Improvements	4,785.23	0	4,785.23	0
Depreciation-Personal Property	1,697.36	0	1,697.36	0
TOTAL DEPRECIATION	134,246.15	0	134,246.15	0
DEBT EXPENSE				
1st Mortgage Interest	5,303.73	0	65,386.17	0
3rd Mortgage Interest	447.71	0	6,161.71	0
Interest- Line of Credit	88.54	0	1,830.21	0
TOTAL DEBT SERVICE	5,839.98	0	73,378.09	0
TOTAL EXPENSES	161,453.05	0	461,873.45	0
NET INCOME	-30,872.02	0	206,931.94	0



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ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Sunshine of Warren-Trumbull Area Inc.
Trumbull County
418 Main Ave SW Suite 205
Warren, Ohio 44481-1060

To the Board of Directors:

We have selectively tested certain accounts, financial records, files, and reports of the Sunshine of Warren-Trumbull Area Inc., Trumbull County, Ohio, (the Organization) as of and for the year ended December 31, 2012, under the authority of Ohio Revised Code Section 117.10 and following Ohio Admin. Code Section 117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting we noted matters that, in our judgment, could adversely affect the Organization's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the Schedule of Findings as items 2012-001 through 2012-005. These matters will be referred to the City of Warren Council and the Trumbull County Commissioners.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements, applicable to the Organization. Noncompliance with these requirements could impact the Organization's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying Schedule of Findings as items 2012-001 through 2012-003. These matters will be referred to the Ohio Department of Development.

This report is intended solely for the information and use of management, the Board of Directors and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and are not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 26, 2016

**SUNSHINE OF WARREN-TRUMBULL AREA INC.
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

1. Financial Management System Weaknesses

<i>Finding Number</i>	2012-001
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24 CFR §84.21(b) recipients' financial management systems shall provide for the following:

(2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.

(3) Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

(7) Accounting records including cost accounting records that are supported by source documentation.

Additionally, Ohio Revised Code Section 1702.15 requires nonprofit corporations to keep correct and complete books and records of account.

The trial balance is an integral component in the financial reporting process and necessary to ensure the following:

- amounts and other data relating to recorded transactions and events have been recorded appropriately;
- assets, liabilities, and equity interests are included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments are recorded appropriately; and
- financial and other information is disclosed fairly and at appropriate amounts.

The following issues were noted during our review of the financial statements:

- The account "Net-Assets Unrestricted" did not agree to the balance recorded in the general ledger.
- We could not determine if the balance sheet and income statement balanced due to lack of a beginning balance on the income statement.

The issues noted above over the trial balances demonstrate a lack of effective control and accountability over Sunshine's funds.

FINDINGS (Continued)

2. Disbursements Lacking Adequate Support

<i>Finding Number</i>	2012-002
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24 CFR §84.21 (b) recipients' financial management systems shall provide for the following:

(2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.

(3) Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

(7) Accounting records including cost accounting records that are supported by source documentation.

Additionally, Ohio Revised Code Section 1702.15 requires nonprofit corporations to keep correct and complete books and records of account.

Proper supporting documentation for disbursements is an integral component in the financial reporting process and necessary to ensure the following:

- transactions and events that have been recorded have occurred and pertain to the entity
- assets, liabilities, and equity interests exist.
- disclosed events and transactions have occurred.
- amounts and other data relating to recorded transactions and events have been recorded appropriately
- financial and other information is disclosed fairly and at appropriate amounts
- transactions and events have been recorded in the proper accounts.
- financial information is appropriately presented and described and information in disclosures is expressed clearly.

The following issues were noted during our review of non-payroll disbursements:

- Sunshine did not provide complete invoices for the following disbursements:

3/23/2012	York Drain & Gas Line Service	50.00
10/3/2012	Petrosky Brothers Construction, INC.	975.00
3/22/2012	Cardmember Service	982.05

- WRAP charged Sunshine for rent and office expense during 2012 in the amount of \$3,962. There was no rental agreement between Sunshine and WRAP or agreements documenting the allocation of office expenses.

The issues noted above over non-payroll disbursements demonstrate a lack of effective control and accountability over federal funds. Sunshine recorded disbursements that were not supported by source documentation.

FINDINGS (Continued)

3. Weaknesses in Tracking Capital Assets

<i>Finding Number</i>	2012-003
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24 CFR §84.21(b) recipients' financial management systems shall provide for the following:

- (2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.
- (3) Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
- (7) Accounting records including cost accounting records that are supported by source documentation.

Additionally, Ohio Revised Code Section 1702.15 requires nonprofit corporations to keep correct and complete books and records of account.

The following issues were noted during our review of capital assets:

- Sunshine provided a detailed capital asset listing documenting total asset property costs of \$3,786,806. The trial balances recorded total asset property costs of \$3,854,714.
- Property was listed as 592 Dover on the detailed capital asset listing with a net book value of \$14,663. According to records at the Trumbull County Auditor's office, this property was sold by Sunshine in 2010.
- The following properties, as recorded by the Trumbull County Auditor, could not be identified on the detailed capital asset listing:

Parcel	Owner	Property Address
38-828650	Sunshine of Warren Trumbull Area Inc	2204 Niles
39-478644	Sunshine of Warren Trumbull Area Inc	2530 Hamilton

The issues noted above over capital assets demonstrate a lack of effective control and accountability over federal funds.

FINDINGS (Continued)

4. Lack of Financial Statements

<i>Finding Number</i>	2012-004
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SFAS No. 117, Financial Statements for Not-for-Profit Organizations, establishes standards for general-purpose external financial statements provided by a not-for-profit organization. Its objective is to enhance the relevance, understandability, and comparability of financial statements issued by those organizations. It requires that those financial statements provide certain basic information that focuses on the entity as a whole and meets the common needs of external users of those statements.

The Statement requires that all not-for-profit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows. It requires reporting amounts for the organization's total assets, liabilities, and net assets in a statement of financial position; reporting the change in an organization's net assets in a statement of activities; and reporting the change in its cash and cash equivalents in a statement of cash flows.

Sunshine did not provide complete financial statements and notes to the financial statements for fiscal year 2012, in accordance with SFAS 117. Sunshine receives Federal and local monies, and as such, should be accountable and transparent with their financial reporting.

5. Property Taxes Paid into County on Behalf of Land Contracts

<i>Finding Number</i>	2012-005
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Sunshine of Warren-Trumbull Area sometimes entered into land contracts with citizens on the residential properties owned by Sunshine and rehabilitated with Federal HUD monies. The land contracts between a citizen and Sunshine required the citizen to pay a certain monthly amount to Sunshine to be earmarked for property taxes. Sunshine would hold those monies on-behalf of the citizen and then two times per year pay those monies into the Trumbull County Treasurer to satisfy the property tax obligation against the property under the land contract.

During 2008-2013, Sunshine disclosed four properties under land contracts. Three of them required the leasee to pay a monthly property tax amount to Sunshine that Sunshine would then pay to the Trumbull County Treasurer bi-annually when property tax obligations were due.

We noted in 2010 and 2011, one leasee paid a total of \$1,250.44 to Sunshine for property taxes, but that amount wasn't distributed to the Trumbull County Treasurer until 2012. In 2012, one leasee paid \$137.55 to Sunshine for property taxes, but that amount wasn't distributed to the Trumbull County Treasurer until 2015.



Dave Yost • Auditor of State

SUNSHINE OF WARREN TRUMBULL AREA, INC

TRUMBULL COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2016**