

# **TREHAB INC. AND SUBSIDIARIES**

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**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2016  
&  
INDEPENDENT AUDITORS' REPORT  
&  
SUPPLEMENTARY INFORMATION  
&  
SINGLE AUDIT REPORTS  
&  
AGREED-UPON PROCEDURES**

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*Brian T. Kelly, CPA*  
*& Associates, LLC*

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
TREHAB, Inc. and Subsidiaries:

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of TREHAB, Inc. (a nonprofit organization) and Subsidiaries (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statement of activities and consolidated statement of 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 TREHAB, Inc. and Subsidiaries as of June 30, 2016, and 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 Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards on pages 24-26, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the consolidating financial statements on pages 22 and 23 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 29, 2017 on our consideration of the Organization'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "B. X. Kelly CPA & Associates L.L.C." The signature is written in a cursive style.

Carbondale, Pennsylvania  
March 29, 2017

**TREHAB, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2016ASSETS

Current assets:	
Cash	\$ 1,381,598
Grants and fees receivable	1,660,292
Due from related parties	286,019
Prepaid expenses	20,063
Inventory	<u>91,592</u>
Total current assets	3,439,564
RESTRICTED CASH	74,632
LOANS RECEIVABLE	1,668,595
NOTE RECEIVABLE	300,000
NOTE RECEIVABLE - RELATED PARTY	290,885
PROPERTY & EQUIPMENT	4,876,608
PROPERTY HELD FOR RESALE	5,529
INVESTMENT IN HOUSING PARTNERSHIPS	<u>643,760</u>
TOTAL ASSETS	<u>\$11,299,573</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 318,525
Accrued expenses	271,961
Current portion of long-term debt	19,361
Deferred revenue	1,372,833
Other current liabilities	<u>46,602</u>
Total current liabilities	<u>2,029,282</u>
CONTINGENT REFUNDABLE ADVANCES	1,668,595
LONG-TERM DEBT	<u>1,220,774</u>
Total liabilities	<u>4,918,651</u>
NET ASSETS:	
Unrestricted	6,306,290
Temporarily restricted	<u>74,632</u>
Total net assets	<u>6,380,922</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$11,299,573</u>

See Notes to Financial Statements

**TREHAB, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

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CHANGES IN UNRESTRICTED NET ASSETS:

SUPPORT AND REVENUE:

Grant income	\$4,292,206
Program service fees and contributions	2,272,177
Rental income	220,787
Interest income	3,939
Other income	62,446
Gain on sale of property	42,951
Net assets released from restrictions	<u>17,299</u>

Total public support and other revenue 6,911,805

EXPENSES AND LOSSES,

Program expenses 6,380,398

INCREASE IN UNRESTRICTED NET ASSETS 531,407

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:

Donations	28,615
Net assets released from restrictions	<u>(17,299)</u>

INCREASE IN TEMPORARILY RESTRICTED NET ASSETS 11,316

INCREASE IN NET ASSETS 542,723

NET ASSETS, BEGINNING 5,838,199

NET ASSETS, ENDING \$6,380,922

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See Notes to Financial Statements

**TREHAB, INC. AND SUBSIDIARIES**

COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016

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CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	<u>\$ 542,723</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	150,492
Gain on sale of property	(42,951)
Loss on investment in housing partnerships	36
Increase or decrease in:	
Grants and fees receivable	(743,639)
Prepaid expenses	(477)
Inventory	(13,913)
Note receivable - related party	(3,591)
Accounts payable	96,516
Accrued expenses	348
Deferred revenue	493,332
Other current liabilities	<u>(31,926)</u>
Total adjustments	<u>(95,773)</u>
Net cash provided by operating activities	<u>446,950</u>
CASH FLOWS USED IN INVESTING ACTIVITIES,	
Purchase of fixed assets	<u>(136,772)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayments of demand note payable	(303,775)
Proceeds of demand note payable	65,000
Repayments from related parties	84,765
Repayment of long-term debt	<u>(80,305)</u>
Net cash used in investing activities	<u>(234,315)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	75,863
CASH, BEGINNING	<u>1,380,367</u>
CASH, ENDING	<u>\$ 1,456,230</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION,	
Interest paid	<u>\$ 33,778</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:	
Note receivable incurred for the sale of land (Note 7)	<u>\$ 287,294</u>
Loan receivable and contingent refundable advance incurred for project financing (Note 8)	<u>\$ 373,595</u>

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See Notes to Financial Statements

**TREHAB, INC. AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. NATURE OF OPERATIONS AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF OPERATIONS**

TREHAB, Inc. (“TREHAB”) was incorporated as a non-profit corporation under the laws of the Commonwealth of Pennsylvania for the purpose of providing general community programming directed towards low income individuals and families with the goal of increasing their social and economic independence by reducing their dependence on the aid and support of governmental welfare programs. Services are provided to primarily the residents of Bradford, Sullivan, Susquehanna, Tioga, Wayne and Wyoming counties.

**CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements include the following additional entities that are related, either through direct ownership or common control by management and the Board of Directors, to TREHAB: TREHAB Associates Inc., TREHAB Energy and Home Enterprises Inc., TREHAB Housing Corporation Inc., Endless Mountains Community Development Corporation Inc., and TREHAB at Schoolhouse, Inc. (collectively, with TREHAB, the “Organization”). All material inter-company accounts and transactions have been eliminated upon combination.

TREHAB Associates Inc. (“Associates”) was incorporated as a nonprofit corporation under the laws of the Commonwealth of Pennsylvania for the purpose of owning and maintaining real estate to further TREHAB’s purpose of promoting community development in low income communities.

TREHAB Energy and Home Enterprises Inc. (“Energy & Home”) was incorporated as a non-stock for profit corporation under the laws of the Commonwealth of Pennsylvania for the purpose of providing services to enable low income individuals and the general public to live in energy efficient homes and to promote education on alternative energy sources.

Endless Mountains Community Development Corporation Inc. (“EMCD”) was incorporated as a nonprofit corporation under the laws of the Commonwealth of Pennsylvania for the purpose of undertaking community development activities.

TREHAB Housing Corporation Inc. (“Housing”) was incorporated as a for profit subsidiary of TREHAB, which owns a 100% interest, under the laws of the Commonwealth of Pennsylvania. Housing owns a .01% interest in two affordable low income housing partnerships, The Packer-Wilbur, LP (“Packer-Wilbur”) and Lockhart Elderly Housing Associates, LP (“Lockhart”) and a 100% interest in TREHAB at Oak Ridge LLC. TREHAB at Oak Ridge LLC (“Oak Ridge”) was incorporated as a limited liability company and disregarded entity for income tax reporting purposes of Housing under the laws of the Commonwealth of Pennsylvania. Oak Ridge owns a .01% interest in an affordable low income housing partnership, Oak Ridge Housing, LP (“Oak Ridge Housing”). The activity of TREHAB at Oak Ridge is included within TREHAB Housing Corporation, Inc. in the accompanying financial statements.

TREHAB at Schoolhouse, Inc. and TREHAB at Greenwood, Inc. were incorporated as nonprofit corporations under the laws of the Commonwealth of Pennsylvania. The entities were incorporated to serve as the general partners of Schoolhouse Hill Apartments LP (“Schoolhouse”) and Greenwood Gardens LP (“Greenwood Gardens”), respectively. TREHAB at Tiffany Pines LLC, TREHAB at Towanda Terrace LLC and TREHAB at Gateway Commons LLC were incorporated as limited liability companies under the laws of the Commonwealth of Pennsylvania to serve as the general partners of Meadows at Tiffany Pines LP (“Tiffany Pines”), Towanda Terrace LP (“Towanda Terrace”) and Gateway Commons Athens LP (“Gateway Commons”), respectively. Only TREHAB at Schoolhouse, Inc. has received a contribution of capital as of June 30, 2016 and, accordingly, is included in the accompanying consolidated financial statements.

#### **SUBSEQUENT EVENTS**

The Organization’s management has evaluated subsequent events for recognition or disclosure through March 29, 2017, the date the financial statements were available to be issued.

#### **INVESTMENTS IN AFFORDABLE HOUSING PARTNERSHIPS**

The Organization owns .01%, or less, general partner interests in eight affordable low income housing partnerships. The interests in Packer-Wilbur LP and Lockhart Elderly Housing LP are owned by Housing and the interests in the other six limited partnerships are held in separate individual entities. These partnerships were formed to develop and operate affordable housing projects for low income individuals. The partnerships applied for and received an allocation of low income housing tax credits from the Pennsylvania Housing Finance Agency, (“PHFA”). The partnerships then attracted outside equity investments in the Partnerships as a result of the tax credits allocated by PHFA under Section 42 of the Internal Revenue Code.

### **BASIS OF ACCOUNTING**

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses when are recognized when incurred.

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

### **GRANTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Grants receivable principally result from reimbursements due from governmental funding sources. Management considers grants receivable to be fully collectible and has not provided for any allowance for doubtful accounts for these receivables as of June 30, 2016.

### **INVENTORIES**

Inventories consist of various materials for weatherization and similar programs and are valued at the lower of cost (first-in, first-out method) or market.

### **PROPERTY AND EQUIPMENT**

Acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight line method based on the estimated useful life of each classification of depreciable or amortizable assets.

### **CONTRIBUTIONS AND DONOR-RESTRICTED GIFTS**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. Grant awards that are restricted by purpose are classified as refundable advances until expended for the purpose of the grant, since they are conditional promises to give.

### **DONATED SERVICES**

Donated services are recognized as revenue if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteer-provided services are not recognized as contributions in the accompanying financial statements since the criteria for recognition are not met.

### **NET ASSETS**

Unrestricted net assets are those whose use by the Organization is not subject to donor-imposed restrictions.

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Income earned is unrestricted in use, except for amounts designated to be expended for a particular purpose. Food Bank and Feed a Friend donations are reported as temporarily restricted.

Management does not consider equity for Energy & Home to be material to the financial statements taken as a whole. Equity for Housing and Schoolhouse, each of which serves only as a holding company, is eliminated in consolidation. Accordingly, and for ease of reporting, management has presented these categories of equity under the caption entitled unrestricted net assets in the accompanying consolidated financial statements.

### **DEFERRED REVENUE**

Deferred revenues arise when resources are received by the Organization before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met, or when the Organization has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

### **ALLOCATION OF EXPENSES**

Certain costs have been allocated among the programs and supporting services benefited. General and administrative expenses include those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of the Organization.

### **INCOME TAX STATUS**

TREHAB is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, Associates is exempt from income taxes under Section 501(c)(2) of the Internal Revenue Code, and EMCD is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. No provision for any tax arising from unrelated business income has been accrued for the year ended June 30, 2016.

Energy & Home, Housing and Schoolhouse are subject to federal income taxes. None of the entities had taxable income in 2016. These entities are required to file federal and Pennsylvania income tax returns.

## **2. PROGRAM ACTIVITIES**

The Organization's activities consist of various programs directed toward low income individuals and families with the goal of increasing their social and economic independence through reducing their dependence on the aid and support of governmental welfare programs. The following is a description of the significant program activities:

### **HOMEMAKER SERVICES**

Provides quality homemaker services to those who find themselves with needs arising from personal, family, or health related problems that will enable them to remain at home, or to return to their homes at the earliest possible time following hospitalization.

### **DRUG AND ALCOHOL**

Provides intensive counseling and treatment to substance abusing clients as well as educational services to schools through the “safe and drug free schools” program.

### **COMMUNITY SERVICE BLOCK GRANT**

Provides assistance to a network of community based organizations for programs and services to ameliorate the causes and consequences of poverty and to revitalize low income communities.

### **COMMUNITY SERVICES**

Utility Company Assistance - assists payment troubled customers in maintaining utility service and provides budget counseling to reestablish positive standing with the utility company.

General Public Utility Customer Assistance - encourages positive payment habits for payment troubled, low income or at risk persons who are customers of PPL.

Case Management - provides cooperative development of a service plan including multiple service providers in an effort to move individuals toward self-sufficiency.

### **EMERGENCY FOOD AND SHELTER**

Provides rental assistance, utility assistance and/or safe shelter to families and individuals at risk due to inadequate or lack of housing.

### **HUMAN SERVICES DEVELOPMENT FUND - HOUSING SERVICES**

Provides housing relocation assistance, tenant assistance and referral services.

### **HOMELESS ASSISTANCE**

Provides rental assistance, minimal utility assistance and help with security deposits for families and individuals at risk due to lack of safe housing.

### **WEATHERIZATION**

Provides assistance to low income individuals from funding provided through utility programs. Services provided include: insulating, sealing air leaks, furnace maintenance, installation of water-saving devices, energy efficient lighting, monitoring indoor air quality and providing education to help residents reduce energy consumption.

**WORKFORCE INVESTMENT ACT**

Provides assistance to eligible adults and youth in achieving academic and employment success.

**EMPLOYMENT ADVANCEMENT AND RETENTION NETWORK (“EARN”) PROGRAM**

Provides counseling, training, and financial assistance to enable participants to complete the transition from governmental welfare to work.

**TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (“TANF”)**

Provides time limited assistance to needy families with children so that (1) children can be cared for in their own homes or in the homes of relatives, (2) there will be a limit to dependence of needy parents on governmental benefits by promoting job preparation and work, (3) prevent and reduce out of wedlock pregnancies including establishing prevention and reduction goals and (4) encouraging the formation and maintenance of two parent families.

**WORK READY PROGRAM**

Provides outreach services to TANF recipients to help them participate in Pennsylvania’s welfare reform program in order to help governmental welfare clients move into the work force and become self sufficient.

**HOUSING DEVELOPMENT**

Provides a continuum of programs designed to provide affordable, decent, safe and innovative housing for low income families. The housing programs empower participants to become successful homeowners, build assets, and become a part of the community and to achieve self sufficiency.

**TRANSPORTATION**

Provides shared-ride transportation services to residents of Susquehanna and Wyoming Counties for a specific fare based on an individual’s qualification for various programs.

### 3. NOTE RECEIVABLE

TREHAB has received grants under the Community Services Block Grant – Discretionary Awards program from the U.S. Department of Health and Human Services, Office of Community Services (“OCS”), which were utilized to make loans to local businesses for business expansion to create new jobs for low income individuals.

Notes receivable consists of the following as of June 30, 2016:

#### TREHAB

Note receivable deferred interest free for initial twenty-four months; due in monthly installments of \$500 for one year starting in July 2011, interest only, and regular monthly installments starting July 2012 of \$2,760 including interest of 2%; due June 2022; loan is secured by the equipment of the Company.

\$ 300,000

The note receivable represents the initial advance made October 21, 2009 under the terms of a loan agreement between TREHAB and the borrower to establish an information technology and peripheral manufacturing services company in Pennsylvania. TREHAB has the option to advance an additional \$200,000 to the borrower. TREHAB considers the borrower to be in violation of the terms of the loan agreement and is working with OCS to recover the initial advance. TREHAB does not feel it will collect any of the balance owed and, accordingly, has not presented a current portion of the note receivable or any amounts for future minimum payments receivable as of June 30, 2016. Management does not believe an allowance for an uncollectible receivable is necessary because TREHAB has not recognized any revenue with respect to the grant received from OCS. The proceeds used to make the initial advance have been deferred in the accompanying financial statements until such time as the loans are repaid and the funds are reinvested in programs in accordance with OCS requirements.

#### 4. PROPERTY AND EQUIPMENT

Property, plant, and equipment consist of the following at June 30, 2016:

Building and improvements	\$ 5,429,965
Furniture and equipment	364,208
Land	450,303
Construction in progress	<u>4,911</u>
Total	6,249,387
Less accumulated depreciation	<u>1,372,779</u>
Net	<u>\$ 4,876,608</u>

#### 5. DEMAND NOTE PAYABLE

TREHAB has entered into a revolving line of credit agreement with a financial institution in the maximum amount of \$1,000,000 with interest at the prime rate (3.5% at June 30, 2016). The line of credit is payable upon demand, is to be used for working capital and is secured by accounts receivable. There was no balance outstanding as of June 30, 2016.

#### 6. LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2016:

##### TREHAB

Note payable to the United States Department of Agriculture (USDA) Rural Development, due in monthly installments of \$2,701 including interest of 3.375%; due May 2048; secured by land and building	\$ 673,763
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TREHAB, INC. AND SUBSIDIARIES  
 NOTES TO FINANCIAL STATEMENTS

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**Associates**

Note payable to bank, due in monthly installments of \$625 including variable interest, (5.25% at June 30, 2016), adjusted every 60 months; due December 2018; secured by building \$ 16,953

Note payable to bank, due in monthly installments of \$374 including variable interest at the weekly average yield on US treasury securities adjusted to a constant maturity of 5 years (3.56% at June 30, 2016), adjusted every 60 months; due July 2030; secured by building 49,419

**EMCD**

Note payable to Pennsylvania Housing Finance Agency, through the Mixed Use Facility Financing Initiative, due in monthly installments of \$1,667, beginning at the lender's discretion at the completion of construction; note is non-interest bearing 500,000

Total 1,240,135

Less current portion 19,361

Long-term portion \$ 1,220,774

Scheduled maturities of long debt as of June 30, 2016:

YEAR ENDING JUNE 30

2016	\$ 19,361
2017	20,162
2018	16,529
2019	13,948
2020	14,432
Thereafter	<u>655,703</u>

Total \$ 740,135

The EMCD loan has been omitted from the future minimum payment schedule as no repayment schedule has been established by the lender as of June 30, 2016.

## 7. RELATED PARTY TRANSACTIONS

TREHAB has entered into agreements with each of the eight affordable housing partnerships referred to in Note 1 to provide management and supportive services. Under the terms of the agreements TREHAB is to be paid a fee based on the residential income collected as set forth in the agreements. TREHAB earned \$16,860 from The Packer-Wilbur LP, \$5,027 from Lockhart Elderly Housing LP, \$18,750 from Oak Ridge Housing LP, \$9,357 from Schoolhouse Hill, \$25,391 from Greenwood Gardens, \$23,175 from Tiffany Pines, and \$2,328 from Towanda Terrace as management fee income during 2016. TREHAB also periodically pays expenses on behalf of the affordable housing projects. At June 30, 2016, TREHAB was owed \$24,964 by Oak Ridge Housing, \$81,139 by Schoolhouse Hill, \$19,135 by Packer-Wilbur, \$2,824 by Lockhart, \$22,159 by Greenwood Gardens, \$99,485 by Tiffany Pines, and \$36,313 by Towanda Terrace.

TREHAB also performed various services relative to development and construction of the affordable housing projects. TREHAB earned \$65,630 from Tiffany Pines, \$228,287 from Greenwood Gardens and \$224,500 from Gateway Commons in 2016.

TREHAB pays expenses on behalf of and periodically advances funds to or receives advances from Associates, EMCD, and Energy & Home. At June 30, 2016 TREHAB was owed \$128,672 from Associates, and owed \$47,263 to Energy & Home for such payments.

TREHAB loaned funds to EMCD for the purpose of acquiring land for two potential future housing projects. The loans have no fixed repayment terms and are expected to be repaid when the projects become viable and are funded by an investor. The balance of these loans at June 30, 2016 was \$757,530.

TREHAB leases office space at multiple locations from Associates. Rent expense under these leases for 2016 was \$173,092. TREHAB also leases office space from EMCD. Rent expense under this lease in 2016 was \$3,000.

EMCD transferred a parcel of land to Gateway Commons in exchange for a note receivable in the amount of \$287,294 that bears interest at a rate of 7.5% and will not amortize. As of June 30, 2016, \$3,591 of interest was accrued on the principal balance of the note. Principal payments will be required to be made out of available cash flow as described in the partnership agreement. The note matures on the later of thirty years from the completion of construction of the project or January 1, 2048.

## **8. LOANS RECEIVABLE AND CONTINGENT REFUNDABLE ADVANCES**

TREHAB has funded three notes totaling \$695,000 for The Packer-Wilbur LP (in which Housing owns a .01% interest) for the purpose of renovating a four story building used for commercial space and 30 affordable low income housing units. These notes are secured by the low income housing project, are non-interest bearing and require no payments until final maturity in 2031. The balance outstanding of the three notes was \$695,000 as of June 30, 2016. TREHAB has funded two notes totaling \$600,000 for Oak Ridge Housing LP (in which TREHAB at Oak Ridge owns a .01% interest) for the purpose of developing 40 affordable low income housing units. These notes are secured by the affordable low income housing project, are non-interest bearing and require no payments until final maturity in 2038. The balance outstanding of the two notes was \$600,000 as of June 30, 2016. TREHAB has partially funded a note in the amount of \$487,500 for Gateway Commons Athens LP (in which TREHAB at Gateway Commons owns a .01% interest) for the purpose of developing 40 affordable low income housing units. This note is secured by the affordable low income housing project, bears interest at 7.5% and is payable from available net cash flow of the limited partnership with final maturity in 2048. \$373,595 was drawn on the note to pay eligible costs at June 30, 2016

In order to fund these notes, TREHAB obtained contingent refundable advances in the amount of \$120,000 and \$200,000 from the Federal Home Loan Bank's Affordable Housing Program. These contingent refundable advances are non-interest bearing, subject to certain conditions set forth in the promissory note, and shall be forgiven in 2016 and 2024. The balance outstanding of the two contingent refundable advances was \$320,000 as of June 30, 2016. The additional funds of \$1,462,500 necessary to fund the above notes receivable were also provided by grants made to TREHAB. As required by the grantor, if certain conditions are not met, the funds will be in default, at which time TREHAB would be liable for repayment. These amounts have been reported as contingent refundable advances until such time as the conditions are met and the advances will not have to be repaid. The balance outstanding of these contingent refundable advances was \$1,348,595 as of June 30, 2016.

In total TREHAB has recorded \$1,668,595 of loans receivable and \$1,668,595 in contingent refundable advances until such time as the restrictions, requirements and conditions of the loans receivable and refundable advances have been met.

## 9. OPERATING LEASES

The Organization leases office and warehouse space under the terms of month-to-month leases and non-cancelable operating leases with terms in excess of one year. Total rent expense under these agreements was \$111,180 in 2016. Future minimum lease payments required under these leases as of June 30, 2016 are \$51,920 due for the year ending June 30, 2017, \$27,951 due for the year ending June 30, 2018, and \$24,255 due for the year ending June 30, 2019.

Associates leases commercial office and retail space under separate non-cancelable leases to unrelated parties that expire between July 2017 and June 2020. Future minimum lease rental income under Associates non-cancelable operating leases are as follows for the years ending June 30:

YEAR ENDING June 30

2017	\$ 34,452
2018	34,452
2019	34,452
2020	<u>34,452</u>
Total	<u>\$ 137,808</u>

## 10. RETIREMENT PLAN

TREHAB provides retirement benefits to its employees through a defined contribution plan covering substantially all employees of TREHAB and Energy & Home who have completed one year of eligible service. TREHAB contributes 25% of the first 3% of compensation that a participant contributes to the plan and a profit sharing contribution equal to 7.75% of all eligible participants' compensation. Contributions of \$247,918 were made for the year ended June 30, 2016.

**TREHAB, INC. AND SUBSIDIARIES**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2016

	TREHAB	ASSOCIATES	EMCD	ENERGY & HOME	HOUSING	SCHOOL- HOUSE	ELIMINATIONS	TOTAL
<u>ASSETS</u>								
Current assets:								
Cash	\$ 1,266,626	\$ 78,395	\$ 35,461	\$ 1,116				\$ 1,381,598
Grants and fees receivable	1,657,221	3,071						1,660,292
Due from related parties	1,172,221			47,263			\$ (933,465)	286,019
Prepaid expenses		17,139	2,924					20,063
Inventory	<u>91,592</u>							<u>91,592</u>
Total current assets	4,187,660	98,605	38,385	48,379			(933,465)	3,439,564
RESTRICTED CASH	74,632							74,632
LOANS RECEIVABLE	1,668,595							1,668,595
NOTE RECEIVABLE	300,000							300,000
NOTE RECEIVABLE - RELATED PARTY			290,885					290,885
PROPERTY & EQUIPMENT	646,142	2,245,409	1,985,057					4,876,608
PROPERTY HELD FOR RESALE	5,529							5,529
INVESTMENT IN HOUSING PARTNERSHIPS	<u>643,760</u>				\$ 607,787	\$ 35,973	(643,760)	<u>643,760</u>
TOTAL ASSETS	<u>\$ 7,526,318</u>	<u>\$ 2,344,014</u>	<u>\$ 2,314,327</u>	<u>\$ 48,379</u>	<u>\$ 607,787</u>	<u>\$ 35,973</u>	<u>\$ (1,577,225)</u>	<u>\$ 11,299,573</u>
<u>LIABILITIES AND NET ASSETS</u>								
Current liabilities:								
Accounts payable	\$ 315,763	\$ 2,762						\$ 318,525
Due to related parties	47,263	128,672	\$ 757,530				\$ (933,465)	-
Accrued expenses	271,961							271,961
Current portion of long-term debt	9,823	9,538						19,361
Deferred revenue	1,372,833							1,372,833
Other current liabilities	<u>45,038</u>	<u>871</u>	<u>693</u>					<u>46,602</u>
Total current liabilities	2,062,681	141,843	758,223	-	-	-	(933,465)	2,029,282
CONTINGENT REFUNDABLE ADVANCES	1,668,595							1,668,595
LONG-TERM DEBT	<u>663,940</u>	<u>56,834</u>	<u>500,000</u>					<u>1,220,774</u>
Total Liabilities	<u>4,395,216</u>	<u>198,677</u>	<u>1,258,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(933,465)</u>	<u>4,918,651</u>
NET ASSETS:								
Unrestricted	3,056,470	2,145,337	1,056,104	\$ 48,379	\$ 607,787	\$ 35,973	(643,760)	6,306,290
Temporarily restricted	<u>74,632</u>							<u>74,632</u>
Total net assets	<u>3,131,102</u>	<u>2,145,337</u>	<u>1,056,104</u>	<u>48,379</u>	<u>607,787</u>	<u>35,973</u>	<u>(643,760)</u>	<u>6,380,922</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,526,318</u>	<u>\$ 2,344,014</u>	<u>\$ 2,314,327</u>	<u>\$ 48,379</u>	<u>\$ 607,787</u>	<u>\$ 35,973</u>	<u>\$ (1,577,225)</u>	<u>\$ 11,299,573</u>

See Notes to Financial Statements

**TREHAB, INC. AND SUBSIDIARIES**

CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	TREHAB	ASSOCIATES	EMCD	ENERGY & HOME	HOUSING	SCHOOL- HOUSE	ELIMINATIONS	TOTAL
<b>CHANGES IN UNRESTRICTED NET ASSETS:</b>								
<b>SUPPORT, GAINS AND REVENUE:</b>								
Grant income	\$ 4,292,206							\$ 4,292,206
Program service fees and contributions	2,271,077	\$ 1,100						2,272,177
Rental income	33,612	337,585	\$ 25,682				\$ (176,092)	220,787
Interest income	335	13	3,591					3,939
Other income	38,705	23,342	399				-	62,446
Gain on sale of property			42,951					42,951
Net assets released from restrictions	17,299							17,299
	<u>6,653,234</u>	<u>362,040</u>	<u>72,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(176,092)</u>	<u>6,911,805</u>
<b>EXPENSES AND LOSSES,</b>								
Program expenses	6,087,407	378,633	88,883	\$ 1,567	\$ 29	\$ 7	(176,128)	6,380,398
	<u>565,827</u>	<u>(16,593)</u>	<u>(16,260)</u>	<u>(1,567)</u>	<u>(29)</u>	<u>(7)</u>	<u>36</u>	<u>531,407</u>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>								
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:</b>								
Donations	28,615							28,615
Net assets released from restrictions	(17,299)							(17,299)
	<u>11,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,316</u>
<b>INCREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>								
<b>INCREASE (DECREASE) IN NET ASSETS</b>								
	577,143	(16,593)	(16,260)	(1,567)	(29)	(7)	36	542,723
<b>NET ASSETS, BEGINNING</b>								
	<u>2,553,959</u>	<u>2,161,930</u>	<u>1,072,364</u>	<u>49,946</u>	<u>607,816</u>	<u>35,980</u>	<u>(643,796)</u>	<u>5,838,199</u>
<b>NET ASSETS, ENDING</b>								
	<u>\$ 3,131,102</u>	<u>\$ 2,145,337</u>	<u>\$1,056,104</u>	<u>\$ 48,379</u>	<u>\$607,787</u>	<u>\$ 35,973</u>	<u>\$ (643,760)</u>	<u>\$ 6,380,922</u>

See Notes to Financial Statements

**TREHAB, INC. AND SUBSIDIARIES**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/PASSTHROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	PASS- THROUGH GRANTOR NUMBER	FEDERAL CFDA NUMBER	ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2015	TOTAL RECEIVED FOR THE YEAR	FEDERAL EXPEND- ITURES	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2016	EXPEND- TURES TO SUB- RECIPIENTS
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
Passed through the Pennsylvania Department of Community and Economic Development:							
Community Services Block Grant	C000057061	93.569	\$ 120,109	\$ 332,443	\$ 238,045	\$ 25,711	
Community Services Block Grant	C000057061	93.569	<u>          </u>	<u>111,349</u>	<u>197,711</u>	<u>86,362</u>	<u>          </u>
Total Community Services Block Grant			<u>120,109</u>	<u>443,792</u>	<u>435,756</u>	<u>112,073</u>	<u>-</u>
Low-Income Home Energy Assistance	C000056912	93.568	179,250	213,025	33,775	-	
Low-Income Home Energy Assistance	C000061821	93.568	<u>          </u>	<u>268,578</u>	<u>407,813</u>	<u>139,235</u>	<u>          </u>
Total Improving Teacher Quality State Grants			<u>179,250</u>	<u>481,603</u>	<u>441,588</u>	<u>139,235</u>	<u>-</u>
Passed through the Pennsylvania Department of Human Services, Bureau of Employment Programs:							
Temporary Assistance for Needy Families		93.558	50,113	103,873	53,760	-	
Temporary Assistance for Needy Families		93.558	<u>          </u>	<u>69,579</u>	<u>119,253</u>	<u>49,674</u>	<u>          </u>
Passed through the Northern Tier Regional Planning and Development Commission:							
Temporary Assistance for Needy Families		93.558	<u>          </u>	<u>258,683</u>	<u>258,683</u>	<u>-</u>	<u>          </u>
Temporary Assistance for Needy Families		93.558	<u>          </u>	<u>25,265</u>	<u>38,694</u>	<u>13,429</u>	<u>          </u>
Total Temporary Assistance for Needy Families			<u>50,113</u>	<u>457,400</u>	<u>470,390</u>	<u>63,103</u>	<u>-</u>
Passed through the Pennsylvania Department of Health, Personal Responsibility Education Program	4100058206	93.092	<u>          </u>	<u>58,132</u>	<u>76,287</u>	<u>18,155</u>	<u>          </u>
Passed through the County of Wyoming, Pennsylvania, Foster Care - Title IV-E		93.658	<u>          </u>	<u>15,124</u>	<u>22,500</u>	<u>7,376</u>	<u>          </u>
Passed through the County of Susquehanna, Pennsylvania, Foster Care - Title IV-E		93.658	<u>          </u>	<u>33,014</u>	<u>41,700</u>	<u>8,686</u>	<u>          </u>
Total Foster Care - Title IV-E			<u>-</u>	<u>48,138</u>	<u>64,200</u>	<u>16,062</u>	<u>-</u>
Passed through the Area Agency on Aging for the Counties of Bradford, Sullivan, Susquehanna and Tioga, Inc., Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	03-0012.2	93.044	<u>          </u>	<u>124,706</u>	<u>132,700</u>	<u>7,994</u>	<u>          </u>

See Notes to Schedule of Expenditures of Federal Awards

**TREHAB, INC. AND SUBSIDIARIES**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/PASSTHROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	PASS- THROUGH GRANTOR NUMBER	FEDERAL CFDA NUMBER	ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2015	TOTAL RECEIVED FOR THE YEAR	FEDERAL EXPEND- ITURES	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2016	EXPEND- TURES TO SUB- RECIPIENTS
Passed through the County of Wyoming, Pennsylvania, Medical Assistance Program		93.778		76,800	239,465	162,665	
Passed through the County of Susquehanna, Pennsylvania, Medical Assistance Program		93.778		251,626	542,378	290,752	
Passed through the Area Agency on Aging for the Counties of Bradford, Sullivan, Susquehanna and Tioga, Inc., Medical Assistance Program	03-0012.2	93.778	49,369	221,405	235,550	63,514	
Total Medical Assistance Program			49,369	549,831	1,017,393	516,931	-
Total U.S. Department of Health and Human Services			398,841	2,163,602	2,638,314	873,553	-
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>							
Passed through the County of Susquehanna, Pennsylvania, Home Investment Partnerships Program	C000051591	14.239	8,527	41,304	72,485	39,708	
Passed through the County of Bradford, Pennsylvania, Community Development Block Grant/State's Program	C000062144	14.228			373,595	373,595	
Total U.S. Department of Housing and Urban Development			8,527	41,304	446,080	413,303	-
<u>U.S. DEPARTMENT OF AGRICULTURE</u>							
Passed through the Pennsylvania Department of Agriculture: Emergency Food Assistance Program (Administrative Costs)		10.568		3,510	3,510	-	
Emergency Food Assistance Program (Food Commodities)		10.569		40,356	39,910	(446)	
Total Food Distribution Cluster			-	43,866	43,420	(446)	-
<u>U.S. DEPARTMENT OF EDUCATION</u>							
Passed through Bradford County Action, Adult Education - Basic Grants to States		84.002		11,829	23,511	11,682	
<u>U.S. DEPARTMENT OF ENERGY</u>							
Passed through the Pennsylvania Department of Community and Economic Development, Weatherization Assistance for Low-Income Persons		81.042	35,775	35,775		-	
Weatherization Assistance for Low-Income Persons		81.042		189,676	240,056	50,380	
Total Weatherization Assistance for Low-Income Persons			35,775	225,451	240,056	50,380	-

See Notes to Schedule of Expenditures of Federal Awards

**TREHAB, INC. AND SUBSIDIARIES**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/PASSTHROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	PASS- THROUGH GRANTOR NUMBER	FEDERAL CFDA NUMBER	ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2015	TOTAL RECEIVED FOR THE YEAR	FEDERAL EXPEND- ITURES	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2016	EXPEND- TURES TO SUB- RECIPIENTS
<b>U.S. DEPARTMENT OF LABOR</b>							
Passed through the Northern Tier Regional Planning and Development Commission:							
WIA Adult Program		17.258		160,489	203,822	43,333	
WIA Youth Activities		17.259		125,495	162,667	37,172	
WIA Dislocated Workers		17.260		295,254	383,509	88,255	
WIA Dislocated Workers		17.260		48,561	48,561	-	
Total WIA Cluster			-	629,799	798,559	168,760	-
TOTAL			<u>\$ 443,143</u>	<u>\$3,115,851</u>	<u>\$4,189,940</u>	<u>\$1,517,232</u>	<u>\$ -</u>

See Notes to Schedule of Expenditures of Federal Awards

## TREHAB, INC. AND SUBSIDIARIES

### NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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#### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of TREHAB, Inc. under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized in accordance with the cost principles contained in the Uniform Guidance or OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule of expenditures of federal awards represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

TREHAB has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

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*Brian T. Kelly, CPA*  
*& Associates, LLC*

**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**

To the Board of Directors of  
TREHAB, Inc. and Subsidiaries:

We have audited, 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, the financial statements of TREHAB, Inc. and Subsidiaries (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statement of activities and consolidated statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as finding 16-1 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The Organization's Response to Findings**

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

A handwritten signature in blue ink that reads "B. Kelly CPA & Associates L.L.C." The signature is written in a cursive style.

Carbondale, Pennsylvania  
March 29, 2017

*Brian T. Kelly, CPA*  
*& Associates, LLC*

**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

To the Board of Directors of  
TREHAB, Inc. and Subsidiaries:

***Report on Compliance for Each Major Federal Program***

We have audited TREHAB, Inc. and Subsidiaries' (collectively, the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2016. The Organization's major federal programs are identified in the summary of auditors' 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 the Organization'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Organization'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 the Organization's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

### ***Report on Internal Control Over Compliance***

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the Organization'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 the Uniform Guidance, 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 the Organization'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*B. Kelly CPA & Associates L.L.C.*

Carbondale, Pennsylvania  
March 29, 2017

# TREHAB, INC. AND SUBSIDIARIES

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        X   yes           no
- Significant deficiency(ies) identified?             yes      X   none reported

Noncompliance material to financial statements noted?

       yes      X   no

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?             yes      X   no
- Significant deficiency(ies) identified?             yes      X   none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

       yes      X   no

TREHAB, INC. AND SUBSIDIARIES  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

---

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance Program
10.568 & 10.569	Food Distribution Cluster
14.228	Community Development Block Grant/State's Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes \_\_\_\_\_  no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**FINDING 16-1 – Preparation of Schedule of Expenditures of Federal Awards – Material Weakness**

**CRITERIA:** The identification of all applicable federal programs and the related receipts, expenditures, receivable balances and deferred revenue is necessary for the proper reporting of federal program activity in TREHAB's schedule of expenditures of federal awards (SEFA) in conformity with all applicable grantor requirements.

**CONDITION:** TREHAB lacks an adequate system for identifying all federal funding received and reconciling such information to the books and records used in preparing its financial statements.

**CAUSE:** TREHAB's procedures for preparing its SEFA do not ensure that all federal programs are included and that all such amounts reconcile to federal program financial reports and the books and records used in preparing its financial statements.

**EFFECT:** The preliminary SEFA prepared by management of TREHAB omitted a significant federal program and improperly reported several other federal programs in terms of beginning and ending balances, federal funds received and federal expenditures for the period under audit..

**RECOMMENDATION:** TREHAB should develop and implement a system to identify and report all applicable federal programs and to reconcile such programs to the underlying accounting records used in preparing its financial statements.

TREHAB, INC. AND SUBSIDIARIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION: See corrective action plan.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None.

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*Brian T. Kelly, CPA*  
*& Associates, LLC*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of  
TREHAB, Inc. and Subsidiaries:

We have performed the procedures enumerated below, which were agreed to by the Commonwealth of Pennsylvania, Department of Human Services ("DHS"), the Counties of Susquehanna and Wyoming, Pennsylvania and TREHAB, Inc. and Subsidiaries ("TREHAB"), solely to assist you with respect to the financial schedules and exhibits required by the DHS Single Audit Supplement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the DHS. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures and associated findings are as follows:

We have verified by comparison of the amounts and classification that the supplemental financial schedules listed below, which summarize amounts reported to DHS for the fiscal year ended June 30, 2016, have been accurately compiled and reflect the audited books and records of TREHAB. We have also verified by comparison to the example schedules that these schedules are presented, at a minimum, at the level of detail and in the format required by the DHS Single Audit Supplement pertaining to the period.

Program Name	Exhibit Number	Page	Referenced Schedule/Exhibit
Medical Assistance Transportation Program – Susquehanna County	III	38	Revenues and Expenses
Medical Assistance Transportation Program – Wyoming County	III	39	Revenues and Expenses
Homeless Assistance Program – Susquehanna County	XIX(a)	40	Revenues and Expenses

We have inquired of management regarding adjustments to reported revenues or expenditures that were not reflected on the reports submitted to DHS for the period in question.

The processes detailed in paragraphs (a) and (b) above disclosed no adjustments and/or findings that have not been reflected on the reports submitted.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Department of Human Services and should not be used by those who have not agreed to the procedures, and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in blue ink that reads "B. Kelly CPA" followed by "ASIMOTTES L.L.C." in a smaller, more upright script.

Carbondale, Pennsylvania  
March 29, 2017

**TREHAB, INC. AND SUBSIDIARIES**  
**MEDICAL ASSISTANCE TRANSPORTATION PROGRAM**  
**SCHEDULE OF REVENUES AND EXPENDITURES**

COUNTY <u>SUSQUEHANNA</u>	YEAR ENDED <u>JUNE 30, 2016</u>	
	REPORTED	ACTUAL
<b>Service :</b>		
Expenditures:		
Group I Clients	\$ 539,166	\$ 539,166
Group II Clients	<u>3,212</u>	<u>3,212</u>
Total Expenditures	<u>\$ 542,378</u>	<u>\$ 542,378</u>
<b>Allocation Data:</b>		
Revenues:		
Dept. of Public Welfare	\$ 542,378	\$ 542,378
Interest Income	<u>                    </u>	<u>                    </u>
Total Revenue	<u>542,378</u>	<u>542,378</u>
Funds Expended:		
Operating Costs	404,683	404,683
Administrative Costs	<u>137,695</u>	<u>137,695</u>
Total Expenditures	<u>542,378</u>	<u>542,378</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>

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See Accountants' Agreed-Upon Procedures Report

**TREHAB, INC. AND SUBSIDIARIES**  
**MEDICAL ASSISTANCE TRANSPORTATION PROGRAM**  
**SCHEDULE OF REVENUES AND EXPENDITURES**

COUNTY <u>WYOMING</u>	YEAR ENDED <u>JUNE 30, 2016</u>	
	REPORTED	ACTUAL
<b>Service :</b>		
Expenditures:		
Group I Clients	\$ 239,465	\$ 239,465
Group II Clients	<u>          -</u>	<u>          -</u>
Total Expenditures	<u>\$ 239,465</u>	<u>\$ 239,465</u>
<b>Allocation Data:</b>		
Revenues:		
Dept. of Public Welfare	\$ 239,465	\$ 239,465
Interest Income	<u>                  </u>	<u>                  </u>
Total Revenue	<u>239,465</u>	<u>239,465</u>
Funds Expended:		
Operating Costs	178,463	178,463
Administrative Costs	<u>61,000</u>	<u>61,000</u>
Total Expenditures	<u>239,463</u>	<u>239,463</u>
Excess Revenues Over Expenditures	<u>\$ 2</u>	<u>\$ 2</u>

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See Accountants' Agreed-Upon Procedures Report

**TREHAB, INC. AND SUBSIDIARIES  
NON BLOCK GRANT COUNTIES  
COMBINED HOMELESS ASSISTANCE PROGRAM  
FISCAL YEAR 2015-2016**

**COUNTY:** SUSQUEHANNA

	Administration	Bridge Housing	Case Management	Rental Assistance	Emergency Shelter	Other Housing Supports	Total
<b>I. TOTAL ALLOCATION</b>							
<b>II. TOTAL EXPENDITURES</b>							
A. Personnel							
B. Operating							
C. Purchased Services	\$ 700			\$ 26,305	\$ 5,135		\$ 32,140
Subtotal of Total Expenditures	<u>700</u>	-	-	<u>26,305</u>	<u>5,135</u>	-	<u>32,140</u>
<b>III. REVENUES</b>							
A. Client Fees							-
B. Other							-
Subtotal of Revenues	-	-	-	-	-	-	-
<b>IV. DPW REIMBURSEMENT</b>							
A. State HAP Funding	700			26,305	5,135		32,140
B. SSBG							-
C. SABG							-
Subtotal DPW Reimbursement	<u>700</u>	-	-	<u>26,305</u>	<u>5,135</u>	-	<u>32,140</u>
<b>V. UNSPENT ALLOCATION</b>							<u>\$ -</u>

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See Accountants' Agreed-Upon Procedures Report