

Housing Opportunities Mortgage
Assistance & Effective Neighborhood
Solutions Inc. d/b/a H.O.M.E.S., Inc.

Financial Statements
For the Years Ended June 30, 2023 and 2022



Housing Opportunities Mortgage
Assistance & Effective Neighborhood
Solutions Inc. d/b/a H.O.M.E.S., Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Housing Opportunities Mortgage Assistance & Effective Neighborhood Solutions Inc.
d/b/a H.O.M.E.S., Inc.

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Housing Opportunities Mortgage Assistance & Effective Neighborhood Solutions Inc. d/b/a H.O.M.E.S., Inc. (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Housing Opportunities Mortgage Assistance & Effective Neighborhood Solutions Inc.
d/b/a H.O.M.E.S., Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, 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 solely 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 effectiveness of the Organization’s 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.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 31, 2023

FINANCIAL STATEMENTS



Housing Opportunities Mortgage Assistance & Effective Neighborhood Solutions, Inc.
d/b/a H.O.M.E.S., Inc.
Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents	\$ 329,014	\$ 220,879
Grant and other receivables	36,054	53,516
Tenants' rent receivable	8,991	8,397
Prepaid expenses and other assets	40,862	57,353
Cash-tenants' security deposits	53,574	56,216
Property, furniture and equipment, net	<u>9,298,424</u>	<u>9,502,212</u>
Total assets	<u>\$ 9,766,919</u>	<u>\$ 9,898,573</u>
Liabilities:		
Accounts payable and accrued expenses	\$ 72,866	\$ 94,899
Lines of credit	-	9,049
Refundable advances and deferred revenue	114,691	111,672
Tenants' security deposits payable	53,574	56,216
Notes payable, net	<u>3,031,909</u>	<u>3,123,072</u>
Total liabilities	<u>3,273,040</u>	<u>3,394,908</u>
Net Assets:		
Without donor restrictions:		
Undesignated	227,364	124,525
Net investment in property, furniture and equipment (Notes 4, 6 and 9)	<u>6,266,515</u>	<u>6,379,140</u>
Total net assets	<u>6,493,879</u>	<u>6,503,665</u>
Total liabilities and net assets	<u>\$ 9,766,919</u>	<u>\$ 9,898,573</u>

The accompanying notes to financial statements are an integral part of these statements.

Housing Opportunities Mortgage Assistance & Effective Neighborhood Solutions, Inc.
d/b/a H.O.M.E.S., Inc.
Statements of Activities
For the Years Ended June 30, 2023 and 2022

	2023	2022
	Without Donor	Without Donor
	Restrictions	Restrictions
Support and Revenue:		
Contributions and other grants	\$ 616,095	\$ 341,194
Rental income, net	375,344	364,361
Governmental grants	394,805	245,211
Fundraising income	180,371	139,402
Less: cost of direct benefits to donors	(22,643)	-
Contributed services	-	16,828
Other income	-	34,171
	<u>1,543,972</u>	<u>1,141,167</u>
Expenses:		
Program Services:		
Supportive housing youths	613,944	480,881
Residential and commercial rental program	439,875	354,216
Neighborhood revitalization program	13,090	14,001
Health and wellness	13,090	14,001
Advocacy and community awareness	16,382	20,279
	<u>1,096,381</u>	<u>883,378</u>
Supporting Services:		
General and administrative	88,465	101,610
Fundraising	227,517	243,576
	<u>315,982</u>	<u>345,186</u>
Total support service	<u>315,982</u>	<u>345,186</u>
Total expenses	<u>1,412,363</u>	<u>1,228,564</u>
Change in net assets before provision for depreciation	131,609	(87,397)
Provision for Depreciation	<u>(203,788)</u>	<u>(203,788)</u>
Change in net assets before other items	<u>(72,179)</u>	<u>(291,185)</u>
Other Items		
Employee Retention Credits	62,393	-
Extinguishment of debt - Paycheck Protection Program	-	142,400
	<u>62,393</u>	<u>142,400</u>
Total other items	<u>62,393</u>	<u>142,400</u>
Change in net assets	(9,786)	(148,785)
Net Assets, Beginning of Year	6,503,665	1,338,126
Fair value adjustment - inherent contribution (Note 4)	-	5,314,324
	<u>6,493,879</u>	<u>6,503,665</u>
Net Assets, End of Year	<u>\$ 6,493,879</u>	<u>\$ 6,503,665</u>

The accompanying notes to financial statements are an integral part of these statements.

Housing Opportunities Mortgage Assistance & Effective Neighborhood Solutions, Inc.
d/b/a H.O.M.E.S., Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services						Supporting Services			Cost of Direct Benefits to Donors	Total
	Supportive Housing Youths	Residential and Commercial Rental Program	Neighborhood Revitalization Program	Health and Wellness	Advocacy and Community Awareness	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Personnel Costs:											
Employee benefits	\$ 26,521	\$ 10,688	\$ 594	\$ 594	\$ 1,187	\$ 39,584	\$ 3,704	\$ 15,793	\$ 19,497	\$ -	\$ 59,081
Payroll taxes	25,439	10,692	158	159	420	36,868	911	3,646	4,557	-	41,425
Salaries and labor costs	273,859	95,385	6,253	6,253	8,690	390,440	31,933	134,661	166,594	-	557,034
Total personnel costs	<u>325,819</u>	<u>116,765</u>	<u>7,005</u>	<u>7,006</u>	<u>10,297</u>	<u>466,892</u>	<u>36,548</u>	<u>154,100</u>	<u>190,648</u>	<u>-</u>	<u>657,540</u>
Operating Expenses:											
Bank and credit card charges	-	3,330	-	-	-	3,330	344	836	1,180	-	4,510
Computer expenses	4,888	3,842	534	534	535	10,333	6,235	-	6,235	-	16,568
Insurance	38,219	41,630	-	-	-	79,849	1,539	-	1,539	-	81,388
Interest	33,794	57,993	-	-	-	91,787	1,508	-	1,508	-	93,295
Legal and professional	4,800	5,000	800	800	800	12,200	20,710	23,000	43,710	-	55,910
Meals and entertainment	471	-	-	-	-	471	6,636	13,054	19,690	22,643	42,804
Office and other	21,033	20,519	3,249	3,249	3,249	51,299	11,327	9,839	21,166	-	72,465
Direct cost related to grants	102,850	95,046	1,300	1,300	1,300	201,796	-	26,438	26,438	-	228,234
Property taxes	7,466	10,549	-	-	-	18,015	-	-	-	-	18,015
Repairs and maintenance	49,909	51,370	-	-	-	101,279	2,457	250	2,707	-	103,986
Telephone	5,988	1,461	202	201	201	8,053	1,008	-	1,008	-	9,061
Transportation	1,156	1,347	-	-	-	2,503	153	-	153	-	2,656
Utilities	17,551	31,023	-	-	-	48,574	-	-	-	-	48,574
Total operating expenses	<u>288,125</u>	<u>323,110</u>	<u>6,085</u>	<u>6,084</u>	<u>6,085</u>	<u>629,489</u>	<u>51,917</u>	<u>73,417</u>	<u>125,334</u>	<u>22,643</u>	<u>777,466</u>
Total expenses prior to provision for depreciation	613,944	439,875	13,090	13,090	16,382	1,096,381	88,465	227,517	315,982	22,643	1,435,006
Provision for depreciation	<u>99,857</u>	<u>97,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,675</u>	<u>6,113</u>	<u>-</u>	<u>6,113</u>	<u>-</u>	<u>203,788</u>

The accompanying notes to financial statements are an integral part of these statements.

Housing Opportunities Mortgage Assistance & Effective Neighborhood Solutions, Inc.
d/b/a H.O.M.E.S., Inc.
Statement of Functional Expenses
(continued)
For the Year Ended June 30, 2023

	Program Services					Supporting Services			Cost of Direct Benefits to Donors	Total
	Supportive Housing Youths	Residential and Commercial Rental Program	Neighborhood Revitalization Program	Health and Wellness	Advocacy and Community Awareness	Total Program Services	General and Administrative	Fundraising		
Operating Expenses:										
(continued)										
Less expenses included with revenues on the statement of activities										
Cost of direct benefits to donors	-	-	-	-	-	-	-	-	(22,643)	(22,643)
Total expenses	\$ 713,801	\$ 537,693	\$ 13,090	\$ 13,090	\$ 16,382	\$ 1,294,056	\$ 94,578	\$ 227,517	\$ 322,095	\$ -
	<u>\$ 713,801</u>	<u>\$ 537,693</u>	<u>\$ 13,090</u>	<u>\$ 13,090</u>	<u>\$ 16,382</u>	<u>\$ 1,294,056</u>	<u>\$ 94,578</u>	<u>\$ 227,517</u>	<u>\$ 322,095</u>	<u>\$ -</u>
										<u>\$ 1,616,151</u>

The accompanying notes to financial statements are an integral part of these statements.

Housing Opportunities Mortgage Assistance & Effective Neighborhood Solutions, Inc.
d/b/a H.O.M.E.S., Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services					Supporting Services			Cost of Direct Benefits to Donors	Total	
	Supportive Housing Youths	Residential and Commercial Rental Program	Neighborhood Revitalization Program	Health and Wellness	Advocacy and Community Awareness	Total Program Services	General and Administrative	Fundraising			Total Supporting Services
Personnel Costs:											
Employee benefits	\$ 23,159	\$ 9,240	\$ 581	\$ 581	\$ 1,162	\$ 34,723	\$ 3,283	\$ 13,528	\$ 16,811	\$ -	\$ 51,534
Payroll taxes	26,887	11,513	161	161	322	39,044	906	3,902	4,808	-	43,852
In-kind salary	-	-	-	-	-	-	16,828	-	16,828	-	16,828
Salaries and labor costs	252,967	100,899	6,631	6,631	12,167	379,295	34,553	147,666	182,219	-	561,514
Total personnel costs	303,013	121,652	7,373	7,373	13,651	453,062	55,570	165,096	220,666	-	673,728
Operating Expenses:											
Bank and credit card charges	-	-	-	-	-	-	3,255	815	4,070	-	4,070
Computer expenses	3,527	3,527	588	588	588	8,818	2,350	586	2,936	-	11,754
Fundraising expenses	-	-	-	-	-	-	-	27,154	27,154	-	27,154
Insurance	34,426	36,153	-	-	-	70,579	1,516	-	1,516	-	72,095
Interest	36,766	68,135	-	-	-	104,901	2,414	-	2,414	-	107,315
Legal and professional	-	-	-	-	-	-	20,513	13,412	33,925	-	33,925
Office and other	38,358	38,235	6,040	6,040	6,040	94,713	8,614	18,485	27,099	-	121,812
Direct cost related to grants	12,536	23,138	-	-	-	35,674	607	17,466	18,073	-	53,747
Property taxes	5,108	12,530	-	-	-	17,638	-	-	-	-	17,638
Repairs and maintenance	23,389	22,820	-	-	-	46,209	2,342	-	2,342	-	48,551
Telephone	2,743	-	-	-	-	2,743	4,336	562	4,898	-	7,641
Transportation	2,057	569	-	-	-	2,626	93	-	93	-	2,719
Utilities	18,958	27,457	-	-	-	46,415	-	-	-	-	46,415
Total operating expenses	177,868	232,564	6,628	6,628	6,628	430,316	46,040	78,480	124,520	-	554,836
Total expenses prior to provision for depreciation	480,881	354,216	14,001	14,001	20,279	883,378	101,610	243,576	345,186	-	1,228,564
Provision for depreciation	99,857	97,818	-	-	-	197,675	6,113	-	6,113	-	203,788

The accompanying notes to financial statements are an integral part of these statements.

Housing Opportunities Mortgage Assistance & Effective Neighborhood Solutions, Inc.
d/b/a H.O.M.E.S., Inc.
Statement of Functional Expenses
(continued)
For the Year Ended June 30, 2022

	Program Services					Supporting Services			Cost of Direct Benefits to Donors	Total
	Supportive Housing Youths	Residential and Commercial Rental Program	Neighborhood Revitalization Program	Health and Wellness	Advocacy and Community Awareness	Total Program Services	General and Administrative	Fundraising		
Operating Expenses:										
(continued)										
Less expenses included with revenues on the statement of activities										
Cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-
Total expenses	\$ 580,738	\$ 452,034	\$ 14,001	\$ 14,001	\$ 20,279	\$ 1,081,053	\$ 107,723	\$ 243,576	\$ 351,299	\$ 1,432,352

The accompanying notes to financial statements are an integral part of these statements.

Housing Opportunities Mortgage Assistance & Effective Neighborhood Solutions, Inc.
d/b/a H.O.M.E.S., Inc.
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (9,786)	\$ (148,785)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Provision for depreciation	203,788	203,788
Provision for amortization	3,671	3,671
Extinguishment of debt - Paycheck Protection Program	-	(142,400)
(Increases) decreases in assets:		
Grant receivables	17,462	(25,423)
Tenants' rent receivable	(594)	-
Prepaid expenses and other assets	16,491	(20,585)
Increases (decreases) in liabilities:		
Accounts payable and accrued expenses	(22,033)	16,887
Refundable advances and deferred revenue	3,019	108,001
Tenants' security deposits payable	(2,642)	119
	<u>209,376</u>	<u>(4,727)</u>
Cash flows from Financing Activities:		
Payments on notes payable	(94,834)	(74,830)
Payments on lines of credit	(9,049)	(50,933)
	<u>(103,883)</u>	<u>(125,763)</u>
Net cash provided by (used in) financing activities		
Net change in cash and cash equivalents	105,493	(130,490)
Cash and Cash Equivalents, Beginning of Year	<u>277,095</u>	<u>407,585</u>
Cash and Cash Equivalents, End of Year	<u>\$ 382,588</u>	<u>\$ 277,095</u>
Reconciliation to the Statement of Financial Position:		
Cash and cash equivalents	\$ 329,014	\$ 220,879
Cash - tenants' security deposits	53,574	56,216
	<u>\$ 382,588</u>	<u>\$ 277,095</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 89,624</u>	<u>\$ 107,315</u>

The accompanying notes to financial statements are an integral part of these statements.

**Housing Opportunities Mortgage Assistance & Effective Neighborhood Solutions Inc.
d/b/a H.O.M.E.S., Inc.
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022**

Note 1 – Organization and Operations

The Housing Opportunities Mortgage Assistance & Effective Neighborhood Solutions (H.O.M.E.S.) Inc. (the “Organization”) is a Florida nonprofit corporation established October 15, 1998 to provide affordable housing to low-income residents and to participate in neighborhood revitalization projects in blighted transitional neighborhoods in Broward County, Florida.

The mission of H.O.M.E.S. is to provide quality community and economic development, benefiting at risk and disadvantaged residents and neighborhoods in Broward County, Florida. Its main programs are as follows:

- Supportive Housing Youths Program – providing furnished, subsidized rental apartments for up to 33 young adults ages 18-24 (and their children) who have aged out of the state’s foster care and relative care system, together with various types of programmatic support (including paid internships, job and life coaching, financial capability classes, and placing youths in school) with the goal of helping this at risk population achieve self-sufficiency.
- Residential and Commercial Rental Program – providing quality rental apartments and homes affordable to low-income families and quality office spaces available to local nonprofits.
- Neighborhood Revitalization Program – Working with local business groups, civic groups and the city government since 2008 to develop and implement a plan for improving and transforming the Central City CRA (the area where the Organization’s offices and property are located) in Fort Lauderdale, Broward County, Florida. Beginning in 2017, this Program is being expanded to the Broward Municipal Service District area, where the Organization and other nonprofits are building residences.
- Health and Wellness Program – Utilizing the Outdoor Kitchen facility and adjacent garden space at the Organization’s Campus, the goal of this program is to create opportunities for various at-risk community residents to participate in exercise, gardening, cooking, meal planning, nutrition classes, receive fresh food disbursements, and similar activities. The purpose of the program is to encourage community residents in adopting a healthier lifestyle, and to share information and tools which facilitate this.

Note 2 - Summary of Significant Accounting Policies

Basis of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Update (FASB ASU) No. 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASU No. 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity. There were no restrictions perpetual in nature as of June 30, 2023 and 2022.

Revenue and other support received is recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Non-cash contributions are recorded at their estimated fair value on the date received.

Revenue and other support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires, or purpose restriction is accomplished, in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Any contribution not specifically restricted by the donor or subject to other legal restrictions is considered available for general use.

Revenue and revenue recognition: The Organization recognizes revenues from nonexchange transactions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met or explicitly waived.

Contract revenue, from governmental agency contracts, is generally billed monthly and is derived from cost-reimbursement contracts. Revenue derived from cost-reimbursement contracts, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses, is recognized when such expenditures are incurred in compliance with specific contract provisions. Certain agreements contain matching requirements, which have been met for the years ended June 30, 2023 and 2022.

Note 2 - Summary of Significant Accounting Policies (continued)

Amounts received prior to meeting certain conditions, including measurable performance or other barriers, and/or incurring qualifying expenditures in compliance with the specific grant or contract are reported as a liability, refundable advances, in the statement of financial position.

Revenues from special events that are considered exchange transactions are not recognized until the special event takes place. Other program income (exchange transactions) from products and services are recognized as income when the performance obligation of transferring the products and providing the services are met. Amounts received in advance are deferred to the applicable period.

A secondary source of revenue for the Organization is the rental fees it collects from its housing and commercial tenants for services consistent with its primary business functions of operating its residential and commercial activities/services. Rental income includes monthly rent and any tenant rent subsidies collected. Rental payments received in advance are deferred until earned. All leases between the Organization and its tenants are operating leases.

Cash and cash equivalents: The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Receivables and allowance for doubtful accounts: Management periodically reviews the grants and contracts receivable and promises to give balances and provides an allowance for accounts which may become uncollectible. At June 30, 2023 and 2022, management considered the receivable balances to be fully collectible and no allowance for doubtful accounts was considered necessary.

Tenants' Rent Receivable: Tenants' rent receivables arise in the normal course of business with rental real estate properties. The Organization records bad debts using the direct write-off method, which for the Organization is not materially different than methods acceptable under GAAP. Rents are due the first of every month and considered delinquent after five days. Delinquent receivables are written off based upon review of outstanding receivables, historical collection information and existing economic conditions. For the years ended June 30, 2023 and 2022, no material bad debt expense was recorded.

Cash-Tenants' Security Deposits: Cash-tenants' security deposits represent unexpended cash advanced receivable from or on behalf of tenants to be used to offset damage caused by a tenant to a unit, or unpaid rent at the end of a lease period, beyond the statement of financial position date.

Promises to give: The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques using risk-adjusted discount rates. In subsequent years, amortization of the discounts is included in contributions and other grants revenue in the statement of activities. The Organization did not have any unconditional or conditional promises to give at June 30, 2023 or 2022.

Note 2 - Summary of Significant Accounting Policies (continued)

Property and equipment: Property and equipment are carried at cost, if purchased, or at estimated fair value on the date contributed, if donated, less accumulated depreciation. The Organization's policy is to provide for depreciation using the straight-line method over the estimated useful life of each type of asset, which is as follows:

Buildings and improvements	39 years
Equipment and vehicles	3-5 years

Donations of property and equipment are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Without donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service, reclassifying net assets with donor restrictions to net assets without donor restrictions at that time. During the years ended June 30, 2023 and 2022, the Organization did not receive a material amount of donated property and equipment.

Additions and major renewals to property and equipment are capitalized. Maintenance and repairs to property and equipment are charged to expense when incurred.

Refundable advances and deferred revenue: Revenues received in advance that are not recognized because the allowable costs, as defined by the individual grant or contract, have not been incurred, and/or the conditions of release have not been substantially met or explicitly waived are considered refundable advances. In addition, revenues received in advance from special events and other program income that are considered exchange transactions are deferred to the applicable period.

Paycheck Protection Program: In accordance with the guidance of the AICPA in Q&A section 3200, the Organization has the option to report the proceeds of this forgivable loan program under FASB Accounting Standards Codification (ASC) 470, Debt or to the guidance under FASB ASC 958-605, Revenue Recognition, and accounting for the funds as a conditional governmental grant. The Organization has elected to follow the provisions of ASC 958-605 in which the loan proceeds were accounted for as a conditional governmental grant.

Donated goods and services: Donated services are recognized at estimated fair value as contributions, along with a corresponding expense, if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased. Donated goods are recorded at their estimated fair market value when received. Donated property and equipment is capitalized at its estimated fair value at the date of donation and depreciated over the estimated useful life of the asset.

Note 2 - Summary of Significant Accounting Policies (continued)

Functional allocation of expenses: The costs of providing the various 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. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel costs, occupancy costs, and other expenses. These expenses are allocated based on full-time equivalents, time and effort, square footage, and other methods as determined by management.

Joint costs of fundraising appeals: The Organization utilizes various pamphlets, brochures and informational methods to inform the general public of their activities and to solicit funds. These costs are charged to fundraising.

Income taxes: The Organization is a not-for-profit corporation exempt from federal income taxes under Internal Revenue Code 501(c)(3). Accordingly, no provision for income taxes is reflected in the accompanying financial statements since the Organization was deemed by management not to have material unrelated business income.

Concentrations of credit risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash equivalents and receivables. The Organization has cash in financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC"), subject to applicable limits. At various times throughout the year, the Organization may have cash balances at financial institutions that exceed insured amounts. Deposit accounts are maintained with what management believes to be quality financial institutions. Credit risk with respect to receivables is considered limited, by management, due to the credit worthiness of the entities and individuals who comprise such outstanding balances. Receivable balances are unsecured.

Use of estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of management review: Management has evaluated subsequent events through October 31, 2023, which is the date the financial statements were available for issuance.

Note 3 - Liquidity and Availability

The Organization has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintain adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The following table reflects the Organization's financial assets at June 30, 2023 and 2022, reduced by amounts not available for general expenditures within one year.

Housing Opportunities Mortgage Assistance & Effective Neighborhood Solutions Inc.
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Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 3 - Liquidity and Availability (continued)

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 329,014	\$ 220,879
Grants, other and tenants' receivables	45,045	61,913
Cash-tenants' security deposits	<u>53,574</u>	<u>56,216</u>
Total financial assets, at year end	<u>427,633</u>	<u>339,008</u>
Less: amounts not available to be used within one year		
Tenants' security deposits	<u>53,574</u>	<u>56,216</u>
Financial assets available to meet cash needs for general expenditures within one year and to satisfy certain liabilities as they become due	<u>\$ 374,059</u>	<u>282,792</u>

Note 4 – Property, Furniture and Equipment

Property, furniture and equipment consists of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Buildings and improvements*	\$ 7,721,531	\$ 7,721,531
Equipment and vehicles	<u>28,600</u>	<u>28,600</u>
	7,750,131	7,750,131
Less accumulated depreciation	<u>407,576</u>	<u>203,788</u>
Land	<u>1,955,869</u>	<u>1,955,869</u>
Net property, furniture and equipment	<u>\$ 9,298,424</u>	<u>\$ 9,502,212</u>

* Certain real estate contains deed restrictions (Note 9).

In July 2021, the Organization entered into a strategic alliance with another nonprofit organization (Note 7). Upon entering into the strategic alliance, in accordance with FASB ASC No. 805, *Business Combinations*, the Organization elected to apply pushdown accounting and adjusted their nonfinancial assets to fair value. During 2022, the Organization had certain properties appraised by an independent company as well as other independent sources who determined the properties' fair value at approximately \$ 9,700,000. As a result, an adjustment to net assets was recorded for approximately \$ 5,300,000 as disclosed on the statement of activities.

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Notes to Financial Statements
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Note 5 – Lines of Credit

Revolving working-capital line of credit from a financial institution, which matures December 2023 and is renewable annually, with maximum available borrowings of \$ 50,000. The line of credit is secured by certain business assets owned by the Organization. Interest on outstanding borrowings is charged at the Prime Rate as published in the Wall Street Journal. As of June 30, 2023 and 2022, there was no balance outstanding on this line of credit.

Unsecured revolving line of credit for construction projects from a financial institution, renewable annually, with maximum available borrowings of \$ 200,000. Interest on outstanding borrowings is charged at the Master Revolving Note Daily Adjusting LIBOR Rate. The balance outstanding at June 30, 2023, and 2022 was approximately \$ 0 and \$ 9,000 respectively.

A \$ 500,000 revolving line of credit that matured in August 2022 bearing interest at a fixed rate of 5.00%. The purpose of the line of credit is for the acquisition and rehabilitation or renovation of affordable homes and the purchase of lots to construct single-family affordable homes for sale to low- and moderate-income families in Broward County, Florida. This line of credit was collateralized by certain real property owned by the Organization prior to its maturity. There was not a balance on this line of credit at June 30, 2023 or 2022. This line of credit has not been renewed as of October 31, 2023.

Note 6 – Notes Payable

As of June 30, 2023, and 2022 notes payable were as follows:

	<u>2023</u>	<u>2022</u>
Note payable to a financial institution for the main campus, with a monthly payment amount of \$ 11,019 bearing interest at a fixed rate of 4.9%. The note balloons in March 2024 and is collateralized by certain real property owned by the Organization. It is anticipated that management will refinance, but no formal agreement has been entered into as of October 31, 2023.	\$ 1,455,702	\$ 1,514,114
Note payable to City of Fort Lauderdale (SHIP funds) on the 1212, 1216, 1218, 1222 properties. The loan matures in May 2041 with monthly payments of approximately \$ 600. This loan is deed restricted for the life of the loan for low to moderate income tenants and bears zero interest.	137,409	142,561
Note payable to City of Fort Lauderdale (SHIP funds) on the 1212, 1216, 1218, 1222 properties with payments deferred for the life of the loan, maturing in September 2029. These loans are non-interest bearing and all payments will be forgiven if all affordable rental conditions have been met.	184,563	184,563

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Notes to Financial Statements
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Note 6 – Notes Payable (continued)

	<u>2023</u>	<u>2022</u>
Notes payable to the City of Fort Lauderdale (CHDO funds) on 1341 N. Andrews Avenue and 1113 N.E. 2 nd Avenue. Payments are deferred for the life of the loans, which mature in June 2034. These loans are non-interest bearing and all payments will be forgiven if all affordable rental conditions have been met.	467,645	467,645
Notes payable to Broward County (SHIP funds) on 1212, 1216, 1218, 1222 N.E. 6 th Avenue, with payments deferred for the life of the loans which mature in December 2038. These loans are non-interest bearing and all payments will be forgiven if all affordable rental conditions have been met.	198,188	198,188
Note payable to Broward County (CHDO funds) on 1101-1111 N.E. 17 th Court with payments deferred for the life of the loan, which matures in September of 2045. This loan is non-interest bearing and all payments will be forgiven if all affordable rental conditions have been met.	263,012	263,012
Note payable to a financial institution in monthly payments of approximately \$ 300 at a fixed interest rate of 4.3%. This loan is amortized over a 20 year period with a balloon payment due in March 2024. This note is collateralized by certain real property owned by the Organization.	17,442	35,241
Note payable to a financial institution in monthly payments of approximately \$ 2,300 at a fixed interest rate of 4.25%. This loan is amortized over a 20 year period with a balloon payment due in September 2025. The note is collateralized by certain real property owned by the Organization.	<u>327,944</u>	<u>341,415</u>
Total notes payable	3,051,905	3,146,739
Less: unamortized debt issuance costs	<u>(19,996)</u>	<u>(23,667)</u>
Notes payable, less unamortized debt issuance costs	3,031,909	3,123,072
Less current portion	<u>(1,494,975)</u>	<u>(106,483)</u>
Total notes payable less current portion	<u>\$ 1,536,934</u>	<u>\$ 3,016,589</u>

**Housing Opportunities Mortgage Assistance & Effective Neighborhood Solutions Inc.
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Notes to Financial Statements
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Note 6 – Notes Payable (continued)

The aggregate principal payment requirements on notes payable under the arrangements existing at June 30, 2023 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2024	\$ 1,495,000
2025	22,400
2026	306,900
2027	7,700
2028	7,700
Thereafter	<u>98,800</u>
	<u>\$ 1,938,500</u>

The forgivable loans detailed above totaling approximately \$ 1,113,400 have been excluded from the principal payment schedule above as management does not anticipate a cash outlay to result from these loan amounts.

The costs associated with the notes payable at June 30, 2023 are \$ 48,270 and are being amortized over the maturity period of the respective loans. Amortization expense of these loan costs was \$ 3,671 for the years ended June 30, 2023 and 2022 and is reported as a component of interest expense in the accompanying statement of activities.

In addition to the covenants required by the affordable rental properties noted above, the Organization is subject to a minimum debt service coverage ratio by a financial institution. At June 30, 2023 and 2022, the Organization was in compliance with these covenants.

Note 7 – Strategic Alliance

On July 1, 2021, the nonprofit organization Helping Advance and Nurture the Development of Youth, Inc. f/k/a Helping Abused, Neglected, Disadvantaged Youth, Inc. (HANDY) became the sole member of the Organization. This alliance will allow both organizations to combine their expertise to advance and expand programs, services and housing that they currently provide to low-income families, youth and neighborhoods. This partnership is expected not only strengthen and build community support but also help residents from spiraling into economic despair and help break the cycle of poverty for current and future generations. In connection with this strategic alliance, the Organization has changed their fiscal year end from September 30th to June 30th effective June 30, 2022.

Note 8 – Related Party Transactions

During the years ended June 30, 2023 and 2022, the Organization received approximately \$ 62,000 and \$ 13,000, respectively, from HANDY (Note 7). These amounts are recorded in contributions and other grants in the accompanying statements of activities.

Also, the Organization receives direct and indirect support in the form of cash and in-kind donations from various Board Members or their affiliated organizations.

Note 9 – Commitments and Contingencies

Grant and Property Use Restrictions: Many of the properties owned by the Organization were developed using monies provided by grants and restrictive, low or zero interest rate loans, from local governmental entities. The terms of these loans restrict the use of the property and generally require it to be rented to low-income qualified tenants for the period of the grant or related loan term. Failure to comply with the terms of the grant or the loans would result in a requirement to repay a portion or all of the proceeds received. Annual compliance audits may be conducted by the respective grantor agencies/ mortgagees.

Funds realized from the sale or other disposition of these properties would be required to be remitted to these governmental entities to satisfy any remaining loan balances.

Note 10 – Employee Benefit Plan

The Organization offers all employees, who meet certain age and service requirements, a tax-sheltered retirement plan under Internal Revenue Code Section 403(b)(the “Plan”). The Plan allows the participants to make pre-tax and/or after-tax contributions up to defined statutory limits. The Organization may, at its discretion, make a matching contribution based on a percentage of the participant’s Plan contributions. The Organization did not make any matching contributions for the years ended June 30, 2023 or 2022.

Note 11 – Employee Retention Credit

The CARES Act provides an employee retention credit (“CARES Act ERC”), which is a refundable tax credit against certain employment taxes of up to \$ 5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$ 10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and expand the qualified wage caps on these credits through September 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$ 10,000 of qualified wages per quarter. Management determined that the Organization qualified for the tax credit under the CARES Act and received tax credits including the additional relief provisions, for qualified wages through September 30, 2021. During the year ended June 30, 2023, the Organization recorded approximately \$ 62,000 related to the CARES Act ERC in Other Income on the accompanying statement of activities. Management believes that the Organization complied with and met all program related guidelines in order to claim these funds.

Note 12 – Subsequent Event

In an effort to promote affordable housing, the Organization became the sole member of H.O.M.E.S. SPE, LLC (the “Company”) in order to acquire a pool of loans, secured by senior mortgages or deeds of trust on certain vacant homes, at a discounted price from the United States Department of Housing and Urban Development (“HUD”) through a bid process. On July 25, 2023, the Company, with the assistance of an outside investor, settled on their bid of approximately \$ 14,717,000 with HUD and successfully acquired a pool of loans. In connection with this transaction, HOMES has received \$ 147,165 and anticipates receiving \$ 147,165 at some point in the future.

INTERNAL CONTROLS AND COMPLIANCE

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

To the Board of Directors
Housing Opportunities Mortgage Assistance & Effective Neighborhood Solutions Inc.
d/b/a H.O.M.E.S., Inc.

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 Housing Opportunities Mortgage Assistance & Effective Neighborhood Solutions Inc. d/b/a H.O.M.E.S., Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2023.

Report on 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) as a basis for designing 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 Organization'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 or significant deficiencies may exist that were not identified.

Housing Opportunities Mortgage Assistance & Effective Neighborhood Solutions Inc.
d/b/a H.O.M.E.S., Inc.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 31, 2023