

HOMES WITH HOPE, INC.

**COMBINED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

HOMES WITH HOPE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Homes with Hope, Inc.

Report on the Financial Statements

We have audited the accompanying combined statements of financial position of Homes with Hope, Inc. as of December 31, 2018 and 2017, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Homes with Hope, Inc. as of December 31, 2018 and 2017, and the combined results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying supplementary schedule of details of combined revenues on page 30 is presented for purposes of additional analysis and is not a required part of the combined financial statements. The accompanying supplementary data information shown on pages 31 through 40 is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development (HUD), and is not a required part of the combined financial statements. The accompanying supplementary data information shown on pages 41 through 47 is presented for purposes of additional analysis as required by the Connecticut Housing Finance Authority, and is not a required part of the combined 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 combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Other Information

The Managing Agent and Mortgagor Certifications on pages 60 and 61, and pages 70 to 71, respectively, have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 29, 2019 on our consideration of Homes with Hope, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Homes with Hope, Inc.'s internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Homes with Hope, Inc.'s internal control over financial reporting and compliance.

Marcum LLP

New Haven, CT
April 29, 2019

HOMES WITH HOPE, INC.

COMBINED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 587,136	\$ 824,879
Accounts receivable	11,753	34,376
Grants receivable	28,891	37,102
Prepaid expenses	26,480	16,713
Total Current Assets	<u>654,260</u>	<u>913,070</u>
Assets Limited As To Use		
Cash and cash equivalents	61,234	38,670
Board designated investments	510,422	543,721
Total Assets Limited As To Use	<u>571,656</u>	<u>582,391</u>
Property, Equipment and Leasehold Improvements		
Land and buildings	4,389,017	4,387,445
Furniture and equipment	210,317	206,743
Leasehold improvements	786,014	781,764
	5,385,348	5,375,952
Less accumulated depreciation and amortization	<u>2,189,000</u>	<u>2,018,837</u>
Total Property, Equipment and Leasehold Improvements	<u>3,196,348</u>	<u>3,357,115</u>
Other Assets		
Replacement and operating reserves	313,429	286,939
Tenants deposits held in trust	2,303	2,303
Total Other Assets	<u>315,732</u>	<u>289,242</u>
	<u>\$ 4,737,996</u>	<u>\$ 5,141,818</u>

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

HOMES WITH HOPE, INC.

COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2018 AND 2017

	2018	2017
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 24,049	\$ 21,431
Accounts payable	70,113	82,316
Accrued payroll and related withholdings	39,144	50,839
Refundable advances	37,862	15,914
Funds held for residents	<u>1,752</u>	<u>1,752</u>
Total Current Liabilities	<u>172,920</u>	<u>172,252</u>
Long-Term Liabilities		
Commercial mortgages, net of current portion	389,523	413,569
CHFA mortgage	1,938,198	1,901,374
Security deposits	<u>11,341</u>	<u>11,614</u>
Total Long-Term Liabilities	<u>2,339,062</u>	<u>2,326,557</u>
Total Liabilities	<u>2,511,982</u>	<u>2,498,809</u>
Net Assets		
Without donor restrictions	861,020	1,278,015
With donor restrictions	<u>1,364,994</u>	<u>1,364,994</u>
Total Net Assets	<u>2,226,014</u>	<u>2,643,009</u>
	<u>\$ 4,737,996</u>	<u>\$ 5,141,818</u>

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

HOMES WITH HOPE, INC.

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Year ended December 31, 2018			Year ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Contributions and fundraising	\$ 1,409,288	\$ --	\$ 1,409,288	\$ 1,455,749	\$ --	\$ 1,455,749
Contributed use of facilities, goods and services	954,930	--	954,930	907,700	--	907,700
Grants	621,285	--	621,285	653,620	--	653,620
Rental income	367,950	--	367,950	365,050	--	365,050
Fees	18,969	--	18,969	44,324	--	44,324
Investment return, net	(26,612)	--	(26,612)	60,694	--	60,694
	<u>3,345,810</u>	<u>--</u>	<u>3,345,810</u>	<u>3,487,137</u>	<u>--</u>	<u>3,487,137</u>
Expenses						
Program	3,087,294	--	3,087,294	3,128,178	--	3,128,178
General and administrative	324,762	--	324,762	294,293	--	294,293
Fundraising costs	350,749	--	350,749	364,979	--	364,979
	<u>3,762,805</u>	<u>--</u>	<u>3,762,805</u>	<u>3,787,450</u>	<u>--</u>	<u>3,787,450</u>
Change in Net Assets	(416,995)	--	(416,995)	(300,313)	--	(300,313)
Net Assets - Beginning	<u>1,278,015</u>	<u>1,364,994</u>	<u>2,643,009</u>	<u>1,578,328</u>	<u>1,364,994</u>	<u>2,943,322</u>
Net Assets - Ending	<u>\$ 861,020</u>	<u>\$ 1,364,994</u>	<u>\$ 2,226,014</u>	<u>\$ 1,278,015</u>	<u>\$ 1,364,994</u>	<u>\$ 2,643,009</u>

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

HOMES WITH HOPE, INC.

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Year ended December 31, 2018				Year ended December 31, 2017			
	Program Expense	General and Administrative	Fundraising Costs	Total	Program Expense	General and Administrative	Fundraising Costs	Total
Payroll and related expenses	\$ 1,261,586	\$ 181,054	\$ 173,040	\$ 1,615,680	\$ 1,325,231	\$ 154,383	\$ 166,046	\$ 1,645,660
Depreciation and amortization	159,113	13,798	--	172,911	159,374	12,814	--	172,188
Direct fundraising expenses	--	--	150,504	150,504	--	--	171,037	171,037
Space occupancy	159,988	--	--	159,988	148,725	--	--	148,725
Interest expense	84,445	--	--	84,445	107,615	--	--	107,615
Professional fees and contracted services	107,531	67,363	--	174,894	104,460	71,184	--	175,644
Repairs and maintenance	110,780	--	--	110,780	113,813	--	--	113,813
Office expense	45,983	15,327	5,643	66,953	48,040	16,013	1,726	65,779
Insurance	55,803	18,601	--	74,404	39,954	13,318	--	53,272
Shelter and other program related services	86,278	--	--	86,278	125,231	--	--	125,231
Postage and delivery	--	1,386	21,562	22,948	--	1,234	26,170	27,404
Other operating expenses	25,676	60	--	25,736	19,358	--	--	19,358
Travel	16,249	5,418	--	21,667	13,936	4,647	--	18,583
Food purchases	10,424	--	--	10,424	8,604	--	--	8,604
Internet and telephone	20,823	6,940	--	27,763	17,477	5,825	--	23,302
Memberships and subscriptions	1,875	625	--	2,500	2,651	884	--	3,535
Contributed facilities	319,218	--	--	319,218	311,736	--	--	311,736
Contributed food, clothing and other	601,056	--	--	601,056	561,786	--	--	561,786
Contributed professional fees and contracted services	20,466	14,190	--	34,656	20,187	13,991	--	34,178
	<u>\$ 3,087,294</u>	<u>\$ 324,762</u>	<u>\$ 350,749</u>	<u>\$ 3,762,805</u>	<u>\$ 3,128,178</u>	<u>\$ 294,293</u>	<u>\$ 364,979</u>	<u>\$ 3,787,450</u>

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

HOMES WITH HOPE, INC.

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ (416,995)	\$ (300,313)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	172,911	172,188
Interest accrued on CHFA note	65,827	65,826
Net realized and unrealized loss (gain) on investments	43,035	(46,124)
Changes in assets and liabilities:		
Grants receivable	8,211	903
Accounts receivable	22,623	(24,743)
Prepaid expenses	(9,767)	1,450
Accounts payable	(12,203)	34,326
Accrued payroll and related withholdings	(11,695)	(242)
Refundable advances	21,948	(49,189)
Security deposits	(273)	(435)
Net Cash Used in Operating Activities	<u>(116,378)</u>	<u>(146,353)</u>
Cash Flows from Investing Activities		
Purchases of investments	(69,227)	(165,559)
Proceeds from sale of investments	59,491	156,138
Deposits to replacement and operating reserves	(26,490)	(52,188)
Purchases of equipment and leasehold improvements	(12,144)	(26,049)
Net Cash Used in Investing Activities	<u>(48,370)</u>	<u>(87,658)</u>
Cash Flows from Financing Activities		
Repayment of long-term debt	(50,431)	(85,334)
Net Cash Used in Financing Activities	<u>(50,431)</u>	<u>(85,334)</u>
Net Change in Cash and Cash Equivalents	(215,179)	(319,345)
Cash and Cash Equivalents - Beginning	<u>863,549</u>	<u>1,182,894</u>
Cash and Cash Equivalents - Ending	<u>\$ 648,370</u>	<u>\$ 863,549</u>

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

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The combined financial statements include the accounts of Homes with Hope, Inc. (HWH) and IHA, Inc., (IHA), collectively known as the “Association.” Both HWH and IHA are organized as non-profit corporations under the laws of the State of Connecticut to provide food and shelter for the homeless. IHA operates and administers an independent living facility for persons with mental disabilities and is subsidized by the U.S. Department of Housing and Urban Development (HUD) facilities and programs.

The Association operates various facilities and programs as follows:

- The Gillespie Center and Hoskins Place are located on Jesup Road in Westport and provide food and emergency shelter to homeless men and women. Residents are provided with referral services to help them obtain permanent housing, employment, financial assistance, and to help them overcome substance abuse.
- The Bacharach Community is located on Wassell Lane in Westport and provides emergency shelter for homeless women who have children. Residents are provided with referral services to help them obtain permanent housing, employment, financial assistance, and to help them overcome substance abuse.
- The Linxweiler House is located on the Post Road in Westport and provides emergency shelter for homeless women who have children. Residents are provided with referral services to help them obtain permanent housing, employment, financial assistance, and to help them overcome substance abuse.
- Women’s Mentoring Initiative (WMI) provides mentoring for women in the community who are at risk of becoming homeless.
- The Powell Place Apartments at Saugatuck Avenue (IHA) provide eight units of Permanent Supportive Housing (PSH) for the formerly homeless mentally ill.
- The Westport Rotary Centennial House (WRCH) is located on 10 West End Avenue in Westport and provides six units of PSH for the formerly homeless mentally ill.
- The Community Kitchen is the Association’s original program. It provides three meals daily, 365 days per year, at no cost, to anyone who comes to the Gillespie Center at mealtime. The Food Pantry also provides two grocery bags of nonperishable food per week to any individual or family who asks.
- HWH provides case management and client support services to tenant/clients at the Fair Street Apartments in Norwalk (7 units), the Hales Court Apartments in Westport (10 units) and Sasco Creek Village in Westport (6 units).
- 86 Saugatuck Avenue property was purchased at the end of 2011 and became operational in June 2012. It provides PSH for one family.

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NATURE OF OPERATIONS (CONTINUED)

- 1 Hayes Avenue, Norwalk property was purchased July 2014, providing two units of PSH.
- The Project Return program, located at 124 North Compo Road, Westport provides an alternative home for young women in crisis from Westport Connecticut and surrounding towns.

SIGNIFICANT ACCOUNTING POLICIES

ADOPTION OF ACCOUNTING GUIDANCE

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-04, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, and consistency in information about liquidity and availability of resources, expenses, and investment return. The major changes of the ASU affecting the Association include (a) requiring the presentation of two classes of net assets entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) requiring the qualitative and quantitative information regarding the liquidity and availability of resources, and (c) enhanced disclosures regarding functional expense reporting.

The ASU has been applied retrospectively to all periods presented. The application of the ASU did not affect the change in net assets for the years December 31, 2018 and 2017.

BASIS OF PRESENTATION

The combined financial statements of the Association are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned and expenses when the related liability for goods or services is incurred, regardless of the timing of cash flows.

Net assets of the Association are classified based on the presence or absence of donor – imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Association. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state or federal laws.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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. These estimates include assessing the collectability of accounts receivable and the useful lives of long-lived assets. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Association's financial instruments classified as current assets and current liabilities (cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and debt) approximates fair value. The fair values of other financial instruments are disclosed in their respective notes.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less when purchased. The FDIC deposit insurance covers up to \$250,000 per depositor on all accounts. The portion of the deposit in excess of this limit represents a credit risk to the Association. At times, the Association may have deposits in excess of insured limits. The Association has suffered no losses in connection with its banking activities.

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND INVESTMENT INCOME

Investments are measured at fair value in the combined statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income (including realized and unrealized gains and losses on investments, interest and dividend income) is included in the combined statements of activities and changes in net assets unless restricted by donor or law. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

ASSETS LIMITED AS TO USE

Assets that have limited use include assets permanently restricted by donors and assets set aside by the Board of Directors. The Board's designated investments are overseen by the Finance Committee of the Board of Directors. In 2011, the Board of Directors approved a formal Investment Policy/Strategy and the appointment of an investment management firm. Investment policy indicates that prior to reaching \$250,000 the funds were to be invested in instruments with little or no risk. At the \$250,000 threshold, investment policy indicates that income from the funds can be made available to HWH for its ongoing operations and that the committee can determine whether to seek active and professional administration of the funds.

The Board designated cash and cash equivalents represent surplus cash relating to the CHFA-financed WRCH program.

ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Receivables from third-party payors, clients and donors are stated at the amount management expects to collect from outstanding balances. The Association provides for losses on receivables using the allowance method. The allowance is based on experience, specific review of outstanding balances, and other circumstances that may affect the client or donor's ability to meet their obligations. Receivables are considered impaired if payments are not received in accordance with the pledge terms. It is the Association's policy to charge off uncollectible contributions receivable when management determines the receivable will not be collected. As of December 31, 2018 and 2017, the Association had no allowances for doubtful accounts.

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GRANTS

The Association recognizes as support, funds from grants as costs are incurred and specified activities are performed. Receivables are recognized to the extent costs have been incurred but not reimbursed. Conversely, liabilities are recognized when grant advances exceed costs incurred (refundable advances).

FEES

Fees billed are recognized in the period the services are performed.

CONTRIBUTIONS AND DONOR RESTRICTED GIFTS

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is awarded or received. Conditional promises to give and indications of intentions to give are reported at fair value only when the conditions on which they depend are substantially met and the promises become unconditional. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of operations as net assets released from restrictions. When long-lived assets are placed in service, thus satisfying purpose restrictions, the amount is included as a change in net assets, with and without donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements.

PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Maintenance and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the combined statements of activities and changes in net assets for the respective period. Depreciation and amortization expense, totaling \$170,696 in 2018 and \$170,842 in 2017, is computed using the straight-line method over the estimated useful lives of the assets, which range from five to thirty nine years. Leasehold improvements are carried at cost and amortized over the shorter of their useful lives or the term of the lease, including anticipated lease renewal options.

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS (CONTINUED)

The Association continually evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of its long-lived assets or whether the remaining balance of its long-lived assets should be evaluated for possible impairment. If and when such factors, events or circumstances indicate that long-lived assets should be evaluated for possible impairment, the Association will determine the fair value of the asset by making an estimate of expected future cash flows over the remaining lives of the respective assets and compare that fair value with the carrying value of the assets in measuring their recoverability. In determining the expected future cash flows, the assets will be grouped at the lowest levels for which there are cash flows.

DONATED ITEMS

Donated furniture and equipment are reported as contributions at their estimated fair values at date of receipt. The estimated fair value of contributed food and the estimated fair rental value of the facilities used by the Association are recognized both as revenue and expense in the combined statements of activities and changes in net assets.

EXPENSE ALLOCATION

Expenses are charged directly to program services, and management and general, based on specific identification to the extent practical. Expenses related to more than one function have been allocated using reasonable methodologies determined by management to be appropriate. Management and general expenses include those expenses that are not directly identifiable with a specific function, but provide for the overall support and direction of the Project.

INCOME TAX STATUS

HWH and IHA were incorporated under the laws of the State of Connecticut and serve the public within the meaning of charitable, educational organizations as defined by Section 501(c)(3) of the Internal Revenue Code (the Code). As such HWH and IHA are exempt from state and federal income taxes pursuant to Section 509(a) of the Code. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX STATUS (CONTINUED)

HWH and IHA are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

NEW ACCOUNTING PRONOUNCEMENTS

The Association continually assesses new accounting pronouncements to determine their applicability to the organization. Except as described below, the Association has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which amends revenue recognition guidance and requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance is effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. Management is currently evaluating the impact this ASU will have on the Association's financial position and results of operations.

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize the assets and liabilities that arise from all leases (operating and financing). However, for leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities. The guidance is effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020, with early adoption permitted. Management is currently evaluating the impact this ASU will have on the Association's financial position and results of operations.

RECLASSIFICATIONS

Certain prior year amounts were reclassified to conform to the current year's presentation.

SUBSEQUENT EVENTS

The Association has evaluated subsequent events through April 29, 2019, which is the date these combined financial statements were available to be issued. All subsequent events requiring recognition or disclosure as of December 31, 2018, have been incorporated into these financial statements.

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 – CONTRIBUTED USE OF FACILITIES, GOODS, AND SERVICES

CONTRIBUTED USE OF FACILITIES AND GOODS

The Association operates shelter and residential facilities from properties that are donated by the Town of Westport. The Gillespie Center/Hoskins Place, the Linxweiler House, and the Project Return facility operate in properties that are owned by the Town of Westport. The Gillespie Center/Hoskins Place and Linxweiler House are leased at one dollar per year and will expire in November 2019. The Project Return facility is leased at one dollar per year through May 2021 with one option to renew for an additional 5 year term.

The Bacharach Community housing on Wassell Lane is leased for one dollar per year. The Wassell Lane Corporation has approved a lease extension through June 2023 with two options to renew for additional 5 year terms. The Association is responsible for all maintenance and insurance of the occupied facilities.

The Association receives contributions of food and clothing that are provided to residents and others in need without charge.

The fair value of the contributed facilities, food and clothing for the years ended December 31 is as follows:

	2018	2017
Contributed use of facilities	\$ 319,218	\$ 311,736
Contributed food, clothing and other	<u>601,056</u>	<u>561,786</u>
	<u>\$ 920,274</u>	<u>\$ 873,522</u>

Those amounts have been recognized in the statements of activities and changes in net assets as both revenues and expenses.

CONTRIBUTED SERVICES

The Association receives contributions of legal and other contracted services from individuals who regularly provide such services for compensation. All of the legal services and contracted services are provided as a contribution.

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 – CONTRIBUTED USE OF FACILITIES, GOODS, AND SERVICES (CONTINUED)

CONTRIBUTED SERVICES (CONTINUED)

The fair value of those services for the years ended December 31 is as follows:

	2018	2017
Contributed legal services	\$ 1,500	\$ 1,500
Contributed contract services	<u>33,156</u>	<u>32,678</u>
	<u>\$ 34,656</u>	<u>\$ 34,178</u>

Those amounts have been recognized in the statements of activities and changes in net assets as both revenues and expenses because they meet the recognition criteria of services that the Association would have otherwise had to pay for.

Many people, including present and past board members, have contributed a significant amount of time to the activities of the Association without compensation. The financial statements do not reflect the value of those contributed services because those services do not meet the criteria for recognition.

NOTE 3 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31 are as follows:

	2018	2017
Undesignated	\$ 346,020	\$ 553,553
Designated by the governing board	510,422	543,721
Property and equipment, net of related debt	<u>4,578</u>	<u>180,741</u>
Total Net Assets Without Donor Restrictions	<u>\$ 861,020</u>	<u>\$ 1,278,015</u>

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with donor restrictions at December 31 may be expended for:

	<u>2018</u>	<u>2017</u>
Subject to the Passage of Time:		
HUD Capital Advance	\$ 840,000	\$ 840,000
HUD grant for residential housing	<u>419,055</u>	<u>419,055</u>
	<u>1,259,055</u>	<u>1,259,055</u>
Subject to Appropriation and Expenditure When a Specified Event Occurs:		
Endowment held in accordance with investment policy	<u>105,939</u>	<u>105,939</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,364,994</u>	<u>\$ 1,364,994</u>

During the year ended December 31, 2000, the Association received proceeds from a capital advance totaling \$840,000 issued by the Department of Housing and Urban Development (HUD), used to acquire the Saugatuck Avenue apartments. As a condition to this advance, the Association is required to continue the use of the housing for eligible families until the maturity date of the advance, which ends June 30, 2041, or repay the entire amount of the advance plus interest at 6.25 percent.

During the year ended December 31, 2004, the Association received proceeds from a grant totaling \$321,525 issued by HUD for the purpose of acquiring residential housing. During the year ended December 31, 2008, the Association received an additional amount of \$97,530 from HUD as part of the same grant. As a condition of this grant, the Association is required to continue use of the residential housing for a 20 year period ending July 2024.

Management believes it will comply with the HUD requirements.

Net assets with donor restrictions consists of contributions for an endowment. The management of the funds are overseen by the Finance Committee and are commingled with the assets limited as to use. Income earned on these funds is available for the general operating purposes of the Association, as outlined in the Association's investment policy.

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT

As required by accounting principles generally accepted in the United States of America (USGAAP), net assets, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Connecticut adopted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2007. In the absence of authoritative guidance on the application of Connecticut's UPMIFA to donor-restricted funds, the Association interprets UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Any remaining portion of the donor-restricted funds that is not classified in net assets with donor restrictions would be classified or recorded as unrestricted support by the Association, in a manner consistent with the standard of prudence prescribed by UPMIFA. From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. These deficiencies, which would be reported in net assets without donor restrictions, can result from unfavorable market fluctuations.

NOTE 5 – LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	2018	2017
Commercial real estate mortgage payable to a bank, due in monthly installments of \$1,187 including interest at 2.95 percent, through February 2033, collateralized by land and building located at 1 Hayes Avenue, Norwalk, CT.	\$ 164,003	\$ 172,500

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 5 – LONG-TERM DEBT (CONTINUED)

	2018	2017
Commercial real estate mortgage payable to a bank, due in monthly installments of \$1,806 including interest at 2.95 percent, through February 2033, collateralized by land and building located at 1 Hayes Avenue, Norwalk, CT.	\$ 249,569	\$ 262,500
4% mortgage payable to the Connecticut Housing Finance Authority (CHFA), collateralized by land and building located at 10 West End Avenue, Westport, CT (WRCH).	<u>1,938,198</u>	<u>1,901,374</u>
	2,351,770	2,336,374
Less current portion	<u>24,049</u>	<u>21,431</u>
Long-Term Portion	<u>\$ 2,327,721</u>	<u>\$ 2,314,943</u>

CHFA MORTGAGE

The mortgage payable to CHFA was made for the purpose of constructing an apartment building for low income/permanent, supportive housing tenants. In December 2010, the construction phase was completed and the mortgage was converted to permanent financing with no payments due. Interest will accrue at 4 percent through the life of the loan. No payments of interest or principal are due during the term of the mortgage loan until maturity, except for annual payments of interest and/or principal from surplus cash (as defined in the Regulatory Agreement) and except upon an event of default as defined in the mortgage agreement. Surplus cash as determined on an annual basis will be applied proportionately at the discretion of CHFA to accrued interest and/or principal (75 percent) and to the operating reserve (25 percent).

The mortgage loan matures upon the earlier of (i) the date of the occurrence of a Capital Transaction (the sale, assignment, refinance or a transfer of the property, including a substantial change in ownership of the Association) or (ii) the date which is thirty (30) years from the commencement of the permanent term of the mortgage loan.

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 5 – LONG-TERM DEBT (CONTINUED)

CHFA MORTGAGE (CONTINUED)

At maturity, the entire unpaid principal balance of the mortgage loan, together with all accrued interest, shall be fully due and payable, provided, however that if (i) the maturity occurs thirty (30) years from the date of commencement of the permanent term of the mortgage loan, and (ii) the mortgagor agrees at such time pursuant to an amendment of the mortgage that for an additional period of time of thirty (30) year from maturity the mortgagor shall (a) have the development continue to participate in the Next Steps Program and/or (b) maintain the development as affordable housing at levels and upon terms and conditions satisfactory to CHFA, and/or (c) utilize the development for other purposes upon terms and conditions acceptable to CHFA then, in any of such events, the mortgage loan, including principal, accrued interest and any other indebtedness due shall be forgiven. The balance at December 31, 2018 and 2017 on the CHFA mortgage was \$1,938,198 and \$1,901,374, respectively, including accumulated accrued interest of \$292,537 and \$255,713, respectively.

In 2017, the Association was notified by CHFA that based on the review of the 2016 annual financial statements, surplus cash of \$105,372 had been identified. Accordingly, seventy five percent of that amount, or \$79,029, was applied to accrued interest. The remaining \$26,343 was deposited into the operating reserve.

In 2018, the Association was notified by CHFA that based on the review of the 2017 annual financial statements, surplus cash of \$38,670 had been identified. Accordingly, seventy five percent of that amount, or \$29,003, was applied to accrued interest. The remaining \$9,667 was deposited into the operating reserve.

Annual maturities of the Association's long-term debt over each of the next five years and thereafter are as follows:

2019	\$	24,049
2020		24,768
2021		25,508
2022		26,271
2023		27,057
Thereafter		<u>2,224,117</u>
	\$	<u>2,351,770</u>

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6 – GRANTS

A summary of grants for the years ended December 31, 2018 and 2017 is as follows:

Grantor	Grant Period	Grant Amount	2018		Grant Revenue
			Grant Receivable	Refundable Advances	
Department of Housing	07/01/17 - 06/30/18	\$ 157,066	\$ --	\$ --	\$ 78,533
Department of Housing	07/01/18 - 06/30/19	157,067	--	--	78,534
Department of Mental Health and Addiction Services	07/01/17 - 06/30/18	348,635	--	--	173,179
Department of Mental Health and Addiction Services	07/01/18 - 06/30/19	348,635	--	28,862	174,318
Supportive Housing Works - CT RRP contract	07/01/16 - 06/30/17	35,268	--	--	(9,380)
	07/01/17 - 06/30/18	35,268	--	--	17,634
	07/01/18 - 06/30/19	35,268	--	--	17,634
Supportive Housing Works - Diversion Grant	11/1/18 - 6/30/19	80,000	20,000	--	20,000
Family & Children's Agency, Inc.	07/01/16 - 06/30/17	25,000		--	(1,438)
Family & Children's Agency, Inc.	07/01/17 - 06/30/18	23,560	--	--	11,780
Family & Children's Agency, Inc.	07/01/18 - 06/30/19	23,563	5,891		11,781
Emergency Food and Shelter	09/01/17 - 08/30/18	20,556			10,278
Emergency Food and Shelter	09/01/18 - 08/30/19	18,634	--	--	9,182
Town of Weston	07/01/17 - 06/30/18	9,000	--	500	4,000
Town of Weston	07/01/18 - 06/30/19	9,000		4,500	4,500
Town of Wilton	07/01/17 - 06/30/18	8,000	--	--	4,000
Town of Wilton	07/01/18 - 06/30/19	8,000		4,000	4,000
Town of Westport	07/01/17 - 06/30/18	13,000	--	--	6,500
Town of Westport	07/01/18 - 06/30/19	12,500	3,000	--	6,250
			<u>\$ 28,891</u>	<u>\$ 37,862</u>	<u>\$ 621,285</u>

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6 – GRANTS (CONTINUED)

Grantor	Grant Period	Grant Amount	2017		Grant Revenue
			Grant Receivable	Refundable Advances	
Department of Housing	07/01/16 - 06/30/17	\$ 157,067	\$ --	\$ --	\$ 78,534
Department of Housing	07/01/17 - 06/30/18	157,067	--	--	78,534
Department of Mental Health and Addiction Services	07/01/14 - 06/30/15	295,519	--	--	(9,821)
Department of Mental Health and Addiction Services	07/01/15 - 06/30/16	364,586	--	--	--
Department of Mental Health and Addiction Services	07/01/16 - 06/30/17	364,586	--	--	182,293
Department of Mental Health and Addiction Services	07/01/17 - 06/30/18	348,635	--	1,136	174,317
Supportive Housing Works - CT RRP contract	07/01/16 - 06/30/17	35,268	9,380	--	17,634
	07/01/17 - 06/30/18	35,268	8,817	--	17,634
New Reach, Inc. - Fairfield Housing First Collaborative	09/30/16 - 09/29/17	52,000	--	--	39,000
Family & Children's Agency, Inc.	07/01/16 - 06/30/17	25,000	6,250	--	12,500
Family & Children's Agency, Inc.	07/01/17 - 06/30/18	23,560	2,155	--	11,780
Emergency Food and Shelter National Board Program	09/01/15 - 08/31/16	19,902	--	--	9,951
	09/01/16 - 08/30/17	20,556	--	10,278	10,278
Town of Weston	07/01/15 - 06/30/16	14,853	--	--	1,236
Town of Weston	07/01/16 - 06/30/17	9,000	--	--	4,500
Town of Weston	07/01/17 - 06/30/18	9,000	6,500	4,500	4,500
Town of Wilton	07/01/16 - 06/30/17	8,000	--	--	4,000
Town of Wilton	07/01/17 - 06/30/18	8,000	4,000	--	4,000
Town of Westport	07/01/16 - 06/30/17	12,500	--	--	6,250
Town of Westport	07/01/17 - 06/30/18	13,000	--	--	6,500
			<u>\$ 37,102</u>	<u>\$ 15,914</u>	<u>\$ 653,620</u>

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7 – INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments are stated at fair value and consist of the following at December 31:

	2018		
	Cost	Fair Value	Excess (Deficiency) of Fair Value Over Cost
Short-term cash investments	\$ 11,885	\$ 11,885	\$ --
Corporate bonds	213,927	206,902	(7,025)
Equity securities	<u>258,093</u>	<u>291,635</u>	<u>33,542</u>
	<u>\$ 483,905</u>	<u>\$ 510,422</u>	<u>\$ 26,517</u>
	2017		
	Cost	Fair Value	Excess (Deficiency) of Fair Value Over Cost
Short-term cash investments	\$ 53,676	\$ 53,676	\$ --
Corporate bonds	215,156	215,422	266
Equity securities	<u>194,052</u>	<u>274,623</u>	<u>80,571</u>
	<u>\$ 462,884</u>	<u>\$ 543,721</u>	<u>\$ 80,837</u>

Investment return for the year ended December 31 is summarized as follows:

	2018	2017
Unrealized (loss) gain	\$ (54,320)	\$ 48,641
Realized gain (loss)	11,285	(2,517)
Interest and dividends	<u>16,423</u>	<u>14,570</u>
	<u>\$ (26,612)</u>	<u>\$ 60,694</u>

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7 – INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

FAIR VALUE MEASUREMENT

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Inputs to the valuation methodology based on unadjusted quoted market prices in active markets that are accessible at the measurement date.
- Level 2 – Inputs to the valuation methodology that include quoted market prices that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level of the asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation techniques used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

- The Association values investments in equity securities that are freely traded and listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year (Level 1).
- The fair value of corporate bonds is estimated using recently executed transactions, market price quotations (where observable), bond spreads or other available data. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond swap spreads, and other available inputs. Corporate bonds are generally categorized in Level 2 of the fair value hierarchy.
- Short-term cash investments are valued at \$1 per share.

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7 – INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents information about investments measured at fair value:

	December 31, 2018		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Short-term cash investments	\$ 11,885	\$ --	\$ 11,885
Corporate bonds	--	206,902	206,902
Equity securities	291,635	--	291,635
	<u>\$ 303,520</u>	<u>\$ 206,902</u>	<u>\$ 510,422</u>

	December 31, 2017		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Short-term cash investments	\$ 53,676	\$ --	\$ 53,676
Corporate bonds	--	215,422	215,422
Equity securities	274,623	--	274,623
	<u>\$ 328,299</u>	<u>\$ 215,422</u>	<u>\$ 543,721</u>

RISKS AND UNCERTAINTIES

The Association's investment securities are subject to exposure to various risks such as interest rate risk, financial market risk, and credit risk. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the value of investment securities reported in the Association's financial statements.

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 8 – REPLACEMENT AND OPERATING RESERVES

IHA's agreement with HUD (the Regulatory Agreement) requires IHA to make monthly deposits of \$1,104 into a reserve fund for property replacements. The deposits must be paid into a separate federally insured bank account in the name of the IHA and no distribution from the reserve fund shall be made without the prior written approval of HUD. Restricted deposits, which total \$70,767 and \$68,454 at December 31, 2018 and 2017, respectively, are held by a third-party trustee.

HWH's agreement with CHFA requires HWH to make deposits into a reserve fund for property replacements, and an escrow for property taxes and insurance. The deposits must be paid into a separate federally insured bank account in the name of the HWH and no distribution from the reserve fund shall be made without the prior written approval of CHFA. Restricted deposits, which total \$242,362 and \$218,185 at December 31, 2018 and 2017, respectively, are held by a third-party trustee.

NOTE 9 – RESIDUAL RECEIPTS RESERVE

The Regulatory Agreement requires that residual receipts, if any, realized from the operation of the mortgaged property be deposited into a residual receipts fund within sixty days after the end of each year. Residual receipts arise from any surplus cash from an annual calculation defined by HUD. The deposits must be paid into a separate federally insured bank account in the name of IHA. No distribution from such fund shall be made without the prior written approval of HUD. HUD has the authority to approve, modify or reject IHA's proposed usage of residual receipts. IHA was not required to deposit funds in 2018 or 2017 for the years ended December 31, 2017 and 2016, respectively.

NOTE 10 – PROJECT RENTAL ASSISTANCE CONTRACT (IHA, INC., HUD PROJECT NO. 017-HD015)

IHA receives rental subsidies under a Project Rental Assistance Contract (PRAC) with HUD. Under the terms of this contract, HUD's commitment to IHA, amounts recorded as rental income in the accompanying combined statements of activities and changes in net assets, were \$130,895 and \$121,723 for the years ended December 31, 2018 and 2017, respectively.

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 – RESIDENTIAL ASSISTANCE PROGRAM

HWH receives rental subsidies under a Residential Assistance Program contract with the State of Connecticut Department of Social Services. Rental income revenue from the contract, recorded in the accompanying combined statements of activities and changes in net assets, was \$128,740 and \$129,237 for the years ended December 31, 2018 and 2017, respectively.

NOTE 12 – DISTRIBUTIONS

IHA's regulatory agreement with HUD allows the Project to make distributions subject to certain provisions. For the year ended December 31, 2018 and 2017 there were no distributions made.

NOTE 13 – INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

The Association's primary sources of support are contributions and fundraising, including donated use of facilities, goods and services, grant, and program (rental) income. Grant revenues are generally required to be used in accordance with the purpose restrictions imposed by the grant agreements. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects the Association's financial assets as of December 31, 2018 and 2017, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include restricted cash balances and board-designated investments intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated investments for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

HOMES WITH HOPE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 – INFORMATION REGARDING LIQUIDITY AND AVAILABILITY (CONTINUED)

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 648,370	\$ 863,549
Accounts receivable	11,753	34,376
Grants receivable	28,891	37,102
Investments	<u>510,422</u>	<u>543,721</u>
Total financial assets	1,199,436	1,478,748
Investments with liquidity horizons greater than one year		
Restricted cash	(61,234)	(38,670)
Board-designated investments	<u>(510,422)</u>	<u>(543,721)</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 627,780</u>	<u>\$ 896,357</u>

HOMES WITH HOPE, INC.

SCHEDULE I – DETAILS OF COMBINED REVENUES

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Individuals	\$ 1,052,776	\$ 979,952
Corporate and foundations	313,862	434,750
Religious organizations	<u>42,650</u>	<u>41,047</u>
Total Contributions	<u>\$ 1,409,288</u>	<u>\$ 1,455,749</u>
State of Connecticut - DOH	\$ 157,066	\$ 157,067
State of Connecticut - DMHAS	347,497	346,789
New Reach, Inc. - Fairfield Housing First Collaborative	23,561	63,280
Supportive Housing Works - CT RRP contract	55,268	35,268
Emergency Food and Shelter Program	19,460	20,229
Town of Westport	12,750	12,750
Town of Weston	8,500	10,237
Town of Wilton	<u>8,000</u>	<u>8,000</u>
Total Grants	<u>\$ 621,285</u>	<u>\$ 653,620</u>
Facilities	\$ 319,218	\$ 311,736
Food, clothing and other	601,056	561,786
Legal services	1,500	1,500
Consulting services	<u>33,156</u>	<u>32,678</u>
Donated Facilities, Goods and Services	<u>\$ 954,930</u>	<u>\$ 907,700</u>
Gillespie Center and Hoskins Place	\$ 16,874	\$ 42,237
Linxweiler House	50	--
Bacharach Community	<u>2,045</u>	<u>2,087</u>
Total Fees	<u>\$ 18,969</u>	<u>\$ 44,324</u>

See independent auditors' report.

IHA, INC.
HUD PROJECT NO. 017-HD015

BALANCE SHEET DATA

DECEMBER 31, 2018

Account
No.

Assets

Current Assets

1120	Cash - operations	\$ 11,849
1130	Tenant/member accounts receivable	<u>738</u>
1130N	Net tenant accounts receivable	<u>738</u>
1200	Prepaid Expenses	<u>2,192</u>
1100T	Total Current Assets	<u>14,779</u>
1191	Tenant Deposits Held in Trust	<u>2,303</u>
	Restricted Deposits	
1320	Replacement reserve	<u>71,067</u>
1300T	Total Restricted Deposits	<u>71,067</u>
	Fixed Assets	
1420	Buildings	1,187,110
1490	Miscellaneous fixed assets	<u>309,638</u>
1400T	Total Fixed Assets	1,496,748
1495	Accumulated Depreciation	<u>(906,974)</u>
1400N	Net Fixed Assets	<u>589,774</u>
1000T	Total Assets	<u><u>\$ 677,923</u></u>

IHA, INC.
HUD PROJECT NO. 017-HD015

BALANCE SHEET DATA (CONTINUED)

DECEMBER 31, 2018

Account
No.

Liabilities and Net Assets

Current Liabilities

2110	Accounts payable - operations	\$ 16,673
2113	Accounts payable - entity	<u>108,752</u>
2122T	Total Current Liabilities	<u>125,425</u>
2191	Tenant Deposits Held in Trust	<u>770</u>
2000T	Total Liabilities	<u>126,195</u>
3131	Net Asset Without Donor Restrictions	(288,272)
3133	Net Asset s With Donor Restrictions	<u>840,000</u>
3130	Net Assets	<u>551,728</u>
2033T	Total Liabilities and Net Assets	<u><u>\$ 677,923</u></u>

IHA, INC.
HUD PROJECT NO. 017-HD015

PROFIT AND LOSS DATA

FOR THE YEAR ENDED DECEMBER 31, 2018

Account No.		
	Revenues	
5120	Rent revenue - gross potential	\$ 16,753
5121	Tenant assistance payments	<u>130,895</u>
5100T	Total Rent Revenue	147,648
5290	Vacancies	<u>8,308</u>
5152N	Net Rental Revenue	<u>139,340</u>
5440	Revenue from investments - replacement reserve	<u>13</u>
5400T	Total Financial Revenue	<u>13</u>
5910	Laundry and vending	382
5990	Miscellaneous Revenue (interest)	<u>41</u>
5900T	Total Other Revenue	<u>423</u>
5000T	Total Revenue	<u>139,776</u>
	Expenses	
	Administrative	
6311	Office expense	914
6320	Management fee	32,936
6350	Audit expense	9,500
6390	Miscellaneous administrative expenses	<u>3,079</u>
6263T	Total Administrative Expenses	<u>46,429</u>

IHA, INC.
HUD PROJECT NO. 017-HD015

PROFIT AND LOSS DATA (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018

Account No.		
	Utilities	
6420	Fuel Oil/coal	\$ 5,914
6450	Electricity	21,054
6451	Water	3,532
6452	Gas	2,794
6453	Sewer Assessment	<u>4,006</u>
6400T	Total Utilities Expense	<u>37,300</u>
	Operating and Maintenance expense	
6515	Supplies	1,892
6520	Contracts	42,642
6525	Garbage and Trash Removal	820
6548	Snow Removal	<u>1,338</u>
6500T	Total Operating and Maintenance Expense	<u>46,692</u>
	Taxes and Insurance	
6710	Real estate taxes	11,930
6720	Property and Liability Insurance	5,877
6790	Miscellaneous Taxes, Licenses, Permits and Insurance	<u>939</u>
6700T	Total Taxes and Insurance	<u>18,746</u>
6000T	Total Cost of Operations Before Depreciation	<u>149,167</u>
5060T	Income Before Depreciation	<u>(9,391)</u>
6600	Depreciation Expenses	<u>52,220</u>

IHA, INC.
HUD PROJECT NO. 017-HD015

PROFIT AND LOSS DATA (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Account No.</u>		
3247	Change in Net Assets Without Donor Restrictions from Operations	\$ (61,611)
S1100-060	Previous Year Net Assets Without Donor Restrictions	<u>(226,661)</u>
3131	Net Asset Without Donor Restrictions	<u>(288,272)</u>
S1100-070	Previous Year Net Assets With Donor Restrictions	840,000
S1100-075	Change in Net Assets With Donor Restrictions	<u>--</u>
3132	Net Assets With Donor Restrictions	<u>840,000</u>
S1100-050	Net Assets - Beginning of year	613,339
3250	Change in Total Net Assets	<u>(61,611)</u>
3130	Net Assets - End of year	<u><u>\$ 551,728</u></u>

IHA, INC.
HUD PROJECT NO. 017-HD015

STATEMENT OF CASH FLOWS DATA

FOR THE YEAR ENDED DECEMBER 31, 2018

Account No.		
Cash Flows from Operating Activities		
S1200-010	Rental receipts	\$ 140,190
S1200-020	Interest receipts	13
S1200-030	Other operating receipts	<u>423</u>
S1200-040	Total receipts	<u>140,626</u>
S1200-050	Administrative	(57,262)
S1200-090	Utilities	(37,677)
S1200-110	Operating and maintenance	(46,692)
S1200-140	Property Insurance	(5,877)
S1200-160	Tenant security deposits	(273)
S1200-150	Miscellaneous taxes and insurance	<u>(12,869)</u>
S1200-230	Total disbursements	<u>(160,650)</u>
S1200-240	Net Cash Used by Operating Activities	<u>(20,024)</u>
Cash Flows from Investing Activities		
S1200-330	Purchases of property and equipment	(1,572)
S1200-250	Net deposits to replacement reserve	<u>(2,313)</u>
S1200-350	Net Cash Used in Investing Activities	<u>(3,885)</u>
Cash Flows from Financing Activities		
S1200-450	Net activity due to affiliate	<u>22,701</u>
	Net Cash from Financing Activities	<u>22,701</u>
S1200-470	Net Change in Cash	(1,208)
S1200-480	Cash - Beginning of period	<u>13,057</u>
S1200T	Cash - End of period	<u><u>\$ 11,849</u></u>

IHA, INC.
HUD PROJECT NO. 017-HD015

STATEMENT OF CASH FLOWS DATA (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018

Account No.		
	Reconciliation of Net loss to Net Cash Provided Used in Activities	
3250	Net loss	\$ (61,611)
	Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities	
6600	Depreciation expense	52,220
S1200-490	Change in tenant accounts receivable	850
S1200-520	Change in prepaid expenses	(377)
S1200-540	Change in accounts payable	(10,833)
S1200-580	Change in tenant security deposits	<u>(273)</u>
S1200-610	Net Cash Used in Operating Activities	<u><u>\$ (20,024)</u></u>

IHA, INC.
HUD PROJECT NO. 017-HD015

COMPUTATION OF SURPLUS CASH

DECEMBER 31, 2018

<u>Account No.</u>		
	Computation of Surplus Cash	
S1300-010	Cash	\$ <u>14,152</u>
		<u>14,152</u>
	Current Obligations	
S1300-075	Accounts payable (due within 30 days)	16,673
S1300-110	Tenant security deposits	770
S1300-110	Accounts payable - entity	<u>108,752</u>
S1300-140	Total Current Obligations	<u>126,195</u>
S1300-150	Surplus Cash (Deficiency)	<u><u>\$ (112,043)</u></u>

IHA, INC.
HUD PROJECT NO. 017-HD015

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Account No.		Beginning Balance	Additions	Deductions	Ending Balance
1420	Buildings	\$ 1,185,538	\$ --	\$ --	\$ 1,185,538
1490	Leasehold improvements	<u>309,638</u>	<u>1,572</u>	<u>--</u>	<u>311,210</u>
	Total	<u>1,495,176</u>	<u>1,572</u>	<u>--</u>	<u>1,496,748</u>
1495	Accumulated depreciation	<u>854,754</u>	<u>\$ 52,220</u>	<u>\$ --</u>	<u>906,974</u>
1400N	Net book value	<u>\$ 640,422</u>			<u>\$ 589,774</u>

Detail of Fixed Asset Additions and Deletions

Additions

1490	Water heater	<u>1,572</u>
		<u>\$ 1,572</u>

IHA, INC.
HUD PROJECT NO. 017-HD015

SCHEDULE OF RESERVE FOR REPLACEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Account No.</u>			
	Schedule of Reserve for Replacements		
1320P	Balance at beginning of year	\$	68,754
1320DT	Total monthly deposits		13,250
1320WT	Approved withdrawals		10,950
1320INT	Other deposits - interest income		<u>13</u>
1320	Balance at end of year	\$	<u><u>71,067</u></u>

STATEMENT OF OPERATIONS

Connecticut Housing Finance Authority
Asset Management - Multifamily Housing

CHFA Form HM 6-50 (Rev. 12/2017--Effective FYE 12/31/2017)

Project Name: <u>Westport Rotary Centennial House</u>	Fiscal Year-End: <u>December 31, 2018</u>
CHFA Number: <u>06048S</u>	Beginning Date: <u>January 1, 2018</u>
HUD Number: <u>N/A</u>	Mortgagor: <u>Westport Rotary Centennial House</u>

Part I- P&L	Description of Account	HUD Acct. #	SHP Acct. #	Amount*	
Rental Income 5100	Rent Revenue- Gross Potential (Tenant's Portion)	5120	3100	\$ 19,844	
	Rental Income-Excess of Base	5120.1	3100.1	\$ -	
	Tenant Assistance Payments (HAP Receipts)	5121		\$ 128,740	
	Tenant Assistance Payments (RAP Receipts)	5121.1	2811	\$ -	
	Tenant Assistance Payments (ERAP Receipts)	5121.2		\$ -	
	Tenant Assistance Payments - Congregate	5121.3		\$ -	
	Rent Revenue- Stores & Commercial	5140		\$ -	
	Rent Revenue- Garage & Parking	5170	3300	\$ -	
	Flexible Subsidy Revenue	5180		\$ -	
	Miscellaneous Rent Revenue**	5190	3120 & 3300	\$ -	
	Excess Rent	5191	3100.1	\$ -	
	Excess Utilities	5191.1	3110	\$ -	
	Rent Revenue- Insurance	5192		\$ -	
	Special Claims Revenue	5193	3220	\$ -	
	Retained Excess Income	5194		\$ -	
	Total Rent Revenue (GPI @ 100% Occupancy)	5100T			\$ 148,584
Vacancies 5200	Apartments- Vacancy	5220	3210	\$ -	
	Stores & Commercial- Vacancy	5240		\$ -	
	Rental Concessions	5250		\$ -	
	Garage & Parking- Vacancy	5270		\$ -	
	Miscellaneous** (other vacancy)	5290		\$ -	
	Total Vacancies	5200T			\$ 0
	Net Rental Revenue Rent Revenue Less Vacancy	5125N			\$ 148,584
	Elderly & Congregate Service Income (attach schedule)	5300			\$ 0
Financial Revenue 5400	Financial Revenue - Project Operations	5410	3610	\$ 2,448	
	Revenue from Investments - Residual Receipts	5430		\$ -	
	Revenue from Investments - Replacement Reserves	5440		\$ 420	
	Revenue from Investments - Miscellaneous **	5490		\$ -	
	Total Financial Revenue	5400T			\$ 2,868
Other Revenue 5900	Laundry & Vending Revenue	5910	3620	\$ -	
	Tenant Charges	5920		\$ -	
	Sales & Service to Tenants (including Cable TV fees)	5943	3510	\$ -	
	Interest Reduction Payments	5945		\$ -	
	Grant Income - Capital Grant - Unrestricted	5980		\$ -	
	Grant Income - Capital Grant - Temporarily Restricted	5981		\$ -	
	Miscellaneous Revenue (Specify) **	5990	6100	\$ -	
	Total Other Revenue	5900T			\$ 0
	Total Revenue	5000T			\$ 151,452
Administrative Expenses 6200/6300	Conventions & Meetings	6203	4153	\$ -	
	Management Consultants	6204		\$ -	
	Advertising & Marketing	6210		\$ -	
	Apartment Resale Expenses (Coops)	6235		\$ -	
	Other Renting Expenses	6250	4152	\$ -	
	Office Salaries	6310	4120	\$ -	
	Salaries - RSC	6310.1		\$ -	
	Office Expenses	6311		\$ -	
	Office or Model Apartment Rent	6312		\$ -	
	Compensated Absences - Administrative Salaries	6313	4120.1	\$ -	
	Management Fee	6320	4132	\$ 29,757	
	Manager or Superintendent Salaries	6330		\$ -	
	Administrative Rent Free Unit	6331		\$ -	
	Legal Expense (Project)	6340	4130	\$ -	
	Audit Expense	6350		\$ 9,000	
	Bookkeeping Fees/Accounting Services	6351	4131	\$ 864	
	Bad Debts	6370	4820	\$ 60	
State Service Charge - Administrative	6380	4716	\$ -		
Miscellaneous Administrative Expenses **	6390		\$ 1,741		
	Total Administrative Expenses	6263T			\$ 41,422

Statement of Operations

Part I- Cont.

	Description of Account	HUD Acct. #	SHP Acct. #	Amount*	
Utilities Expenses 6400	Fuel Oil/ Coal	6420	4340	\$ -	
	Electricity	6450	4320	\$ 10,899	
	Water	6451	4310	\$ 7,167	
	Gas	6452	4330	\$ 6,066	
	Sewer	6453	4360	\$ -	
	Cable Television	6454	4350	\$ -	
	Total Utilities Expense	6400T			\$ 24,132
Operating & Maintenance Expenses 6500	Payroll	6510	4410	\$ -	
	Compensated Absences - Maintenance Wages	6510.1	4410.1	\$ -	
	Supplies	6515	4420	\$ -	
	Contracts	6520	4430	\$ 6,205	
	Operating & Maintenance Rent Free Unit	6521		\$ -	
	Garbage & Trash Removal	6525	4710	\$ 975	
	Security Payroll/ Contracts	6530		\$ -	
	Security Rent Free Unit	6531		\$ -	
	Heating/Cooling Repairs & Maintenance	6546		\$ 2,433	
	Snow Removal	6548		\$ -	
	Vehicle & Maintenance Equip. Operation & Repair	6570	4440	\$ -	
	Miscellaneous Operating & Maintenance **	6590	6200	\$ 592	
	Total Operating & Maintenance Expenses	6500T			\$ 10,205
Taxes & Insurance 6700	Real Estate Tax	6710	4715	\$ -	
	Payroll Taxes (project share)	6711	4161	\$ -	
	Property & Liability Insurance	6720	4711	\$ 11,040	
	Fidelity Bond Insurance	6721		\$ -	
	Workmen's Compensation	6722		\$ -	
	Health Insurance & Other Employee Benefits	6723	4160	\$ -	
	Pension Expense	6724		\$ -	
	Other Post-Employment Benefits Expense	6725		\$ -	
	Misc. Taxes, Licenses, Permits & Insurance **	6790		\$ -	
Total Taxes & Insurance	6700T			\$ 11,040	
Financial Expenses 6800	Interest on Mortgage Payable	6820	4717	\$ 65,827	
	Interest on Capital Improvement Loan	6821		\$ -	
	Interest on Other Mortgages	6825		\$ -	
	Interest on Notes Payable (Long Term)	6830		\$ -	
	Interest on Notes Payable (Short Term)	6840		\$ -	
	Mortgage Insurance Premium/ Services Charges	6850		\$ -	
	Miscellaneous Financial Expenses **	6890		\$ -	
Total Financial Expenses	6800T			\$ 65,827	
	Elderly & Congregate Services Exp. (attach schedule)	6900		\$ 0	
	Total Cost of Operations before Depreciation & Int.	6000T		\$ 152,626	
	Profit (Loss) before Depreciation & Int.	5060T		\$ -1,174	
	Depreciation Expenses	6600		\$ 66,929	
	Amortization Expense	6610		\$ -	
	Total Depreciation & Amortization Expense			\$ 66,929	
	Operating Profit (Loss) after Depreciation & Int.	5060N		\$ -68,103	
Entity Expenses 7100	Officer's Salaries	7110		\$ -	
	Legal Expenses	7120		\$ -	
	Federal, State, and Other Income Taxes	7130		\$ -	
	Interest Income	7140		\$ -	
	Interest on Notes Payable	7141		\$ -	
	Interest on Mortgage Payable	7142		\$ -	
	Other Expenses	7190		\$ -	
	Net Entity Expenses	7100T		\$ 0	
	Net Profit (Loss)	3250		\$ -68,103	

Statement of Operations
Part II- Principal & Reserve

1	Total principal payments required under the mortgage in the audit year (12 monthly payments). This applies to all direct loans and HUD-held and fully insured mortgages. Any HUD approved second mortgages should be included in the figures.	\$	0
2	Replacement Reserve deposits required by the Regulatory Agreement or Amendments thereto, even if payments may be temporarily suspended or waived.	\$	3,156
3	Replacement or Painting Reserve releases which are included as expense items on the Income Statement.	\$	0
4	Project Improvement Reserve Releases under the Flexible Subsidy Program that are included as expense items on this Income Statement.	\$	0

Part III- Income & Expense Sub-Accounts

	Description of Account	HUD Acct. #	SHP Acct. #	Amount*	
Tenant Charges 5920	NSF & Late Charges	5915		\$ -	\$ 0
	Damages & Cleaning Fees	5930		\$ -	
	Forfeited Tenant Security Deposits	5940		\$ -	
	Tenant Charges	5920			
Office 6311	Office Supplies	6315	4151	\$ -	\$ 0
	Telephone and Answering Service	6360		\$ -	
	Office Expenses	6311			
Payroll 6510	Janitor and Cleaning Payroll	6511		\$ -	\$ 0
	Grounds Payroll	6535		\$ -	
	Repairs Payroll	6540		\$ -	
	Payroll	6510			
Supplies 6515	Janitor and Cleaning Supplies	6516		\$ -	\$ 0
	Exterminating Supplies	6522		\$ -	
	Ground Supplies	6536		\$ -	
	Repairs Material	6541		\$ -	
	Decorating Supplies	6561		\$ -	
	Supplies	6515	4420		
Contracts 6520	Janitor and Cleaning Contracts	6517		\$ 1,221	\$ 6,205
	Exterminating Contracts	6519		\$ -	
	Grounds Contracts	6537		\$ -	
	Repairs Contracts	6542		\$ 4,984	
	Elevator Maintenance Contract	6545		\$ -	
	Swimming Pool Maintenance Contract	6547		\$ -	
	Decorating (Painting) Contract/Payroll	6560		\$ -	
	Contracts	6520	4430		
Misc. 6790	Miscellaneous Taxes, Licenses, Permits	6719		\$ -	\$ 0
	Other Insurance	6729		\$ -	
	Miscellaneous Taxes, Permits & Insurance	6790			

*** Owner to specify account numbers if not provided

**COMPUTATION OF SURPLUS CASH,
DISTRIBUTIONS, AND RESIDUAL RECEIPTS**

Connecticut Housing Finance Authority
Asset Management - Multifamily Housing

CHFA Form HM 6-51 (Rev. 12/2014)

Project Name: <u>Westport Rotary Centennial House</u>	Fiscal Year-End: <u>December 31, 2018</u>
CHFA Number: <u>06048S</u>	Beginning Date: <u>January 1, 2018</u>
HUD Number: <u>N/A</u>	Mortgagor: <u>Westport Rotary Centennial House</u>

Part A - COMPUTE SURPLUS CASH

CASH	1. Cash (Accounts 1110, 1120, 1191, 1192)	\$ 132,430	
	2. Tenant Subsidy vouchers due for period covered by financial statement	\$ 0	
	3. Other (describe)	\$ 0	
	(A) Total Cash (Add Lines 1, 2, and 3)		\$ 132,430
CURRENT OBLIGATIONS	4. Accrued mortgage interest payable	\$ 0	
	5. Delinquent mortgage principal payments	\$ 0	
	6. Delinquent deposits to reserve for replacements	\$ 0	
	7. Accounts payable (due within 30 days)	\$ 62,770	
	8. Loans and notes payable (due within 30 days, if allowed under CHFA loan documents)	\$ 0	
	9. Deficient Tax Insurance or MIP Escrow Deposits	\$ 0	
	10. Accrued expenses (not escrowed)	\$ 6,618	
	11. Prepaid Rents (Account 2210)	\$ 783	
	12. Tenant security deposits liability (Account 2191)	\$ 1,025	
	13. Other (Describe)	\$ 0	
	(B) Less: Total Current Obligations (Add Lines 4 through 13)		\$ 71,196
	(C) Surplus Cash (Deficiency)(Line (A) minus Line (B))		\$ 61,234

Part B - COMPUTE DISTRIBUTIONS TO OWNERS AND REQUIRED DEPOSIT TO RESIDUAL RECEIPTS

	1a. Surplus Cash (From Line (C))		\$ 61,234
	1b. Less: Additional Interest Due CHFA, if applicable		\$ 0
	1c. Surplus Cash Available for Distribution		\$ 61,234
LIMITED DIVIDEND PROJECTS	2a. Annual Distribution Earned During Fiscal Period Covered by Statement	\$ 0	
	2b. Distribution Accrued and Unpaid as of the End of the Fiscal Period	\$ 0	
	2c. Distributions Paid During Fiscal Period Covered by Statement	\$ 0	
	3. Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid (Line 2a plus 2b minus 2c)	\$ 0	
	4. Amount Available for Distribution During Next Fiscal Period		\$ 0
	5. Deposits Due Residual Receipts (Must be deposited with Mortgagee within 60 days after Fiscal Period ends)		\$ 0

**COMPUTATION OF
NET OPERATING INCOME**

Connecticut Housing Finance Authority
Asset Management - Multifamily Housing

CHFA Form HM 6-52 (Rev. 12/2014)

Project Name: <u>Westport Rotary Centennial House</u>	Fiscal Year-End: <u>December 31, 2018</u>
CHFA Number: <u>06048S</u>	Beginning Date: <u>January 1, 2018</u>
HUD Number: <u>N/A</u>	Mortgagor: <u>Westport Rotary Centennial House</u>

Part I - COMPUTE NET OPERATING INCOME (Source HM 6-50 "Statement of Operations")

	Account #	
A. Profit (Loss) before Depreciation	5060T	\$ (1,174)
B. Less: Revenue from Investments - Residual Receipts	5430	\$ -
C. Less: Revenue from Investments - Replacement Reserves	5440	\$ 420
D. Less: Revenue from Investments - Miscellaneous (Restricted Accounts Only)	5490	\$ -
E. Plus: Total Financial Expenses	6800T	\$ 65,827
F. Less: Replacement Reserve Deposits	Part II #2	\$ 3,156
G. Net Operating Income (NOI)		\$ 61,077

Part II - IDENTIFY SPECIAL FINANCIAL CONDITIONS FOR ADJUSTMENT

A. Replacement Reserves

1) Disbursements from replacement reserve during period covered by the statement \$ -

a) Plus: Pending requests at year-end for the release of funds from the replacement reserve to cover items either expensed or capitalized during the period covered by the statement \$ -

b) Less: Total of funds received from replacement reserve during the period covered by the statement that were expensed or capitalized in prior years \$ -

c) Less: Amount capitalized as increases in fixed assets during the period covered by the statement \$ -

d) Total disbursements from the replacement reserve included as expenses on HM6-50 \$ -

2) Are there any extraordinary or one-time sources of income and/or expense(s) that are included on the Statement of Operations? (e.g.: Proceeds from Insurance claim not received in the same period as the loss) YES NO

3) If YES, explain reason(s) and amount(s) below:

	\$ -	
	\$ -	
	\$ -	
	\$ -	
TOTAL Extraordinary or one-time income / expense(s)		\$ -

B. Other Restricted Reserves

1) Have all disbursements from other restricted reserve accounts (Operating Reserve, Residual Receipts, etc.) been capitalized as Increases on the Schedule of Fixed Assets? YES NO N/A

2) If NO, what is the amount of other restricted reserve account releases that are represented as expenditures on the Statement of Operations? Explain reason(s) and amount(s) below:

	\$ -	
	\$ -	
		\$ -

C. Interest Reduction Payments (HUD Section 236 developments only)

1) Are Interest Reduction Payments (IRP) from HUD Section 236 contracts shown as Income in Account #5945 and included in the expense line item Interest on Mortgage Payable in Account #6820? YES NO N/A

2) If NO, what is the annual amount of the IRP paid to CHFA by HUD on the development's behalf not included as income in Account #5945? \$ -

Part III - ADJUSTED NET OPERATING INCOME FROM PART II

	Source	
Net Operating Income	Part I - G	\$ 61,077
Plus: Replacement Reserve releases included as expenses in Statement of Operations	Part II - A1	\$ -
Less/Plus: Extraordinary or one-time income / expense(s)	Part II - A3	\$ -
Plus: Other Restricted Reserve Accounts	Part II - B2	\$ -
Plus: Interest Reduction Payments	Part II - C2	\$ -
Equals: Adjusted Net Operating Income (NOI)		\$ 61,077

**WESTPORT ROTARY CENTENNIAL HOUSE
CHFA PROJECT NO. 06048S**

SCHEDULE OF RESERVE FOR REPLACEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

Account No.			
	Reserve for Replacements		
1320P	Balance - January 1, 2018	\$	21,844
1320DT	Total monthly deposits		3,156
1320INT	Interest income		420
1320WT	Approved withdrawals		<u> --</u>
1320	Balance - December 31, 2018	\$	<u> 25,420</u>

**WESTPORT ROTARY CENTENNIAL HOUSE
CHFA PROJECT NO. 06048S**

CHANGES IN FIXED ASSET ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2018

Account No.	Assets			
	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
1410 Land	\$ 526,320	\$ --	\$ --	\$ 526,320
1420 Buildings	<u>2,007,876</u>	<u>--</u>	<u>--</u>	<u>2,007,876</u>
	2,534,196	--	--	2,534,196
1495 Accumulated depreciation	<u>(557,161)</u>	<u>(66,929)</u>	<u>--</u>	<u>(624,090)</u>
1440N Total net book value	<u>\$ 1,977,035</u>	<u>\$ (66,929)</u>	<u>\$ --</u>	<u>\$ 1,910,106</u>

**REPORT OF INDEPENDENT AUDITORS 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
Homes with Hope, Inc. and IHA, Inc.

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 combined financial statements of Homes with Hope, Inc. (Homes with Hope, Inc. and IHA, Inc., HUD Project No. 017-HD015), which comprise the combined statement of financial position as of December 31, 2018, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Homes with Hope, Inc. and IHA, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Homes with Hope, Inc. and IHA, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Homes with Hope, Inc. and IHA, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Homes With Hope, Inc. and IHA, Inc.'s combined financial statements are free of 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*.

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 Homes With Hope, Inc. and IHA, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Homes With Hope, Inc. and IHA, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

New Haven, CT
April 29, 2019

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

To the Board of Directors
IHA, Inc.

We have performed the procedure described in the second paragraph of this report, which was agreed to by IHA, Inc. and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (REAC), on whether the electronic submission of certain information agrees with the related hard copy documents included within the audit reporting package. IHA, Inc. is responsible for the accuracy and completeness of the electronic submission. The sufficiency of the procedure is solely the responsibility of IHA, Inc. and REAC. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the “UFRS Rule Information” column with the corresponding printed documents listed in the “Hard Copy Documents” column. The associated findings from the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

This agreed-upon procedure engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the electronic submission of the items listed in the “UFRS Rule Information” column agrees with the related hard copy documents within the audit reporting package. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We were engaged to perform an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), by IHA, Inc. as of and for the year ended December 31, 2018, and have issued our reports thereon dated April 29, 2019. The information in the “Hard Copy Documents” column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated April 29, 2019, was expressed in relation to the basic financial statements of IHA, Inc. taken as a whole.

A copy of the reporting package required by OMB Uniform Guidance, which includes the auditors' reports, is available in its entirety from IHA, Inc. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

The purpose of this report on applying the agreed-upon procedures is solely to describe the procedure performed on the electronic submission of the items listed in the "UFRS Rule Information" column and the associated findings, and not to provide an opinion or conclusion. Accordingly, this report is not suitable for any other purpose.

Marum LLP

New Haven, CT
April 29, 2019

IHA, INC.
HUD PROJECT NO. 017-HD015

**ATTACHMENT TO INDEPENDENT ACCOUNTANTS REPORT
ON APPLYING AGREED-UPON PROCEDURES**

FOR THE YEAR ENDED DECEMBER 31, 2018

UFRS Rule Information	Hard Copy Document(s)	Findings
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Financial Data Templates (i.e., Supplemental Schedules)	Agrees
Surplus Cash (S1300 series of accounts)	Financial Data Templates (i.e., Computation of Surplus Cash, Distributions and Residual Receipts (Annual))	Agrees
Footnotes (S3100 series of accounts)	Footnotes to Audited Basic Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor Reports (S3400, S3500, and S3600 series of accounts)	Auditors' Reports on the Financial Statements, Compliance, and Internal Control	Agrees
Type of Opinion on Financial Data Templates (i.e., Supplemental Data) (account number S3400-100)	Auditors' Supplemental Report on Financial Data Templates	Agrees
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General information (S3300, S3700 and S3800 series of accounts)	Schedule of Findings and Questioned Costs and Federal Awards Data	Agrees

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM: REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
IHA, Inc.

Report On Compliance For A Major Federal Program

We have audited IHA Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on IHA Inc.'s major federal program for the year ended December 31, 2018. IHA Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

IHA, Inc.'s financial statements are included in combined financial statements with Homes With Hope, Inc. (HWH). HWH expended \$255,355 in federal awards which is not included in the accompanying schedule of expenditures of federal awards for the year ended December 31, 2018. Our audit, described below, did not include the operations of HWH, as HWH did not meet the expenditure threshold for an OMB Uniform Guidance audit for the year ended December 31, 2018.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for IHA Inc.'s major federal program 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 IHA Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of IHA Inc.'s compliance.

Opinion on a Major Federal Program

In our opinion, IHA, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of IHA, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered IHA, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 IHA, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of IHA, Inc., which are included in the combined financial statements with Homes With Hope, Inc., as of and for the year ended December 31, 2018, and have issued our report thereon dated April 29, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Marcum LLP

New Haven, CT
April 29, 2019

IHA, INC.
HUD PROJECT NO. 017-HD015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development			
Supportive Housing for the Elderly (Section 202)	14.157		\$ 840,000
Section 8 Housing Choice Vouchers	14.871		<u>130,895</u>
Total Expenditures of Federal Awards			<u>\$ 970,895</u>

See Notes to Schedule of Expenditures of Federal Awards.

IHA, INC.
HUD PROJECT NO. 017-HD015

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of IHA, Inc. under programs of the federal government for the year ended December 31, 2018. 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of IHA, Inc., it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of IHA, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule would represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – HUD SECTION 202 DIRECT LOAN

The schedule of expenditures of federal awards includes proceeds from a capital advance totaling \$840,000 issued by the Department of Housing and Urban Development (HUD) for the purpose of acquiring residential housing. As a condition of this advance, IHA, Inc. is required to continue the use of the housing for eligible families until the maturity date of the advance, which ends June 30, 2041, or repay the entire amount of the advance plus interest at 6.25 percent. The balance of this capital advance at December 31, 2018 remained unchanged from January 1, 2017.

NOTE 4 – INDIRECT COST RATE

IHA, Inc. has not elected to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

IHA, INC.
HUD PROJECT NO. 017-HD015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

* Material weakness(es) identified? _____ Yes x No
 * Significant deficiency(s) identified? _____ Yes x None Reported

Noncompliance material to financial statements noted? _____ Yes x No

FEDERAL AWARDS

Internal control over major federal programs:

* Material weakness(es) identified? _____ Yes x No
 * Significant deficiency(s) identified? _____ Yes x None Reported

Type of auditor's report issued on compliance for major federal program: Unmodified

* Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes x No

Identification of major federal program:

CFDA Number(s)	Name of Federal Program or Cluster
----------------	------------------------------------

14.157	Supportive Housing for the Elderly (Section 202)
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Auditee qualified as a low-risk auditee? x Yes _____ No

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

IHA, INC.
HUD PROJECT NO. 017-HD015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018

II. FINANCIAL STATEMENT FINDINGS

A. Internal Control over Financial Reporting

No matters were reported

B. Compliance and Other Matters

No matters were reported

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

IV. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior year findings reported.

IHA, INC.
HUD PROJECT NO. 017-HD015

MANAGING AGENT'S CERTIFICATION

We hereby certify that we have examined the accompanying financial statements and additional information of IHA, Inc., HUD Project No. 017-HD015 and, to the best of our knowledge and belief; the same are accurate and complete.

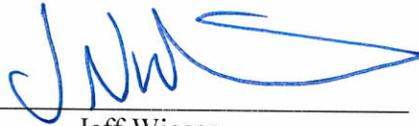


Matthew Fontaine, Controller
DeMarco Management Company
EIN 06-1371436

IHA, INC.
HUD PROJECT NO. 017-HD015

CERTIFICATE OF MORTGAGORS

We hereby certify that we have examined the accompanying financial statements and additional information of IHA, Inc., HUD Project No. 017-HD015 and, to the best of our knowledge and belief; the same are accurate and complete.



Jeff Wieser
President & CEO
IHA, Inc.
EIN 06-1566759

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR A MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

Board of Directors
Homes with Hope, Inc.

REPORT ON COMPLIANCE FOR A MAJOR STATE PROGRAM

We have audited Homes with Hope, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on Homes with Hope, Inc.'s major state program for the year ended December 31, 2018. Homes with Hope, Inc.'s major state program is 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 state programs.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on compliance for Homes with Hope, Inc.'s major state program 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 State Single Audit Act (C.G.S Sections 4-230 to 4-236). Those standards and the State Single Audit Act 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 state program occurred. An audit includes examining, on a test basis, evidence about Homes with Hope, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance the major state program. However, our audit does not provide a legal determination on Homes with Hope, Inc.'s compliance.

OPINION ON EACH MAJOR STATE PROGRAM

In our opinion, Homes with Hope, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended December 31, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Homes with Hope, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Homes with Hope, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program, and to test and report on internal control over compliance in accordance with the State Single Audit Act, 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 Homes with Hope, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state 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 state 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

REPORT ON SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

We have audited the financial statements of Homes with Hope, Inc. as of and for the year ended December 31, 2018 and have issued our report thereon dated April 29, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated, in all material respects, in related to the financial statements taken as a whole.

Marcum LLP

New Haven, CT
April 29, 2019

HOMES WITH HOPE, INC.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED DECEMBER 31, 2018

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Expenditures
Connecticut Housing and Finance Authority - Capital Advance		\$ --	\$ 1,938,198
Department of Mental Health and Addiction Services - Housing Supports and Services	11000-MHA53000-12035	102,555	347,497
Department of Housing - Rental Assistance Program	11000-DOH46920-16149-1200905	<u> --</u>	<u> 128,740</u>
Total State Financial Assistance		<u>\$ 102,555</u>	<u>\$ 2,414,435</u>

See Notes to Schedule of Expenditures of State Financial Assistance.

HOMES WITH HOPE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE FOR THE YEAR ENDED DECEMBER 31, 2018

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of Homes with Hope, Inc. under programs of the State of Connecticut for the fiscal year ended December 31, 2018. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including:

- The Connecticut Housing and Finance Authority of the State of Connecticut provided a capital advance in accordance with the General Statutes of the State of Connecticut. This financial assistance funded the construction of the Westport Rotary Centennial House. A State CORE-CT number was unavailable for this program.
- The Department of Mental Health and Addiction Services of the State of Connecticut has provided financial assistance to fund supportive housing and services.
- The Department of Housing/Department of Social Services of the State of Connecticut has provided financial assistance to fund rental assistance programs.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Homes with Hope, Inc. conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

BASIS OF PRESENTATION

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

HOMES WITH HOPE, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
(CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUBRECIPIENTS

The following entities are subrecipients under the Housing Supports and Services program (SID #12035):

Md-Fairfield AIDS Project, Inc	\$	19,297
Supportive Housing Works, Inc.		44,664
Open Door Shelter, Inc.		19,297
Family & Children's Agency, Inc.		<u>19,297</u>
	\$	<u><u>102,555</u></u>

HOMES WITH HOPE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2018

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' opinion issued: Unmodified

Internal control over financial reporting:

* Material weakness(es) identified?	_____	Yes	_____	x	No
* Significant deficiency(s) identified?	_____	Yes	_____	x	None Reported

Noncompliance material to financial statements noted?	_____	Yes	_____	x	No
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STATE FINANCIAL ASSISTANCE

Internal control over major programs:

* Material weakness(es) identified?	_____	Yes	_____	x	No
* Significant deficiency(s) identified?	_____	Yes	_____	x	None Reported

Type of auditors' opinion issued on compliance for major programs: Unmodified

* Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?	_____	Yes	_____	x	No
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The following schedule reflects the major program included in the audit:

State Grantor/ Program Title	State Grant Program Core-CT Number	Expenditures
Connecticut Housing and Finance Authority Authority		
- Capital Advance		<u>\$ 1,938,198</u>

Dollar threshold used to distinguish between Type A and Type B Programs:	<u>\$200,000</u>
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HOMES WITH HOPE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018

II. SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

- We issued reports, dated April 29, 2019 on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no material weaknesses.

III. FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE PROGRAMS

There are no findings related to State financial assistance programs.

IV. SCHEDULE OF PRIOR YEAR FINDINGS

Finding #2017-01 – Reporting

Grantor: Connecticut Housing and Finance Authority (Authority)

State Program Name: Capital Advance

State Grant Program CORE-CT Number: Not Available

Condition

The Project's system for monitoring regulatory agreement compliance with reporting was found deficient on one instance. As required by its Covenant of Compliance and Regulatory Agreement, the Project's annual budget was not submitted until April 26, 2017, for its 2017 fiscal year.

Current Status

The finding has been corrected.

**WESTPORT ROTARY CENTENNIAL HOUSE
CHFA PROJECT NO. #06048S**

MANAGING AGENT'S CERTIFICATION

We hereby certify that we have examined the accompanying financial statements and additional information of Westport Rotary Centennial House, CHFA Project No. 06048S and, to the best of our knowledge and belief; the same are accurate and complete.



Matthew Fontaine, Controller
DeMarco Management Company
EIN 06-1371436

HOMES WITH HOPE, INC.
49 Richmondville Avenue, Suite 112
Westport, CT 06880

CERTIFICATE OF MORTGAGORS

We hereby certify that we have examined the accompanying financial statements and additional information of Westport Rotary Centennial House, CHFA Project No. 06048S and, to the best of our knowledge and belief; the same are accurate and complete.



Jeff Wieser
President & CEO
Homes With Hope, Inc.
EIN 22-2534326