

**HOMES WITH HOPE, INC.
AND AFFILIATE**

**COMBINED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

HOMES WITH HOPE, INC. AND AFFILIATE

CONTENTS

Independent Auditors' Report	1-3
Financial Statements	
Combined Statements of Financial Position	4-5
Combined Statements of Activities and Changes in Net Assets.....	6
Combined Statements of Functional Expenses.....	7
Combined Statements of Cash Flows	8
Notes to Combined Financial Statements	9-29
Supplementary Information	
Schedule I - Details of Combined Revenues	30
Supplementary Data Required by HUD	31-40
Supplementary Data Required by CHFA	41-47
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 <i>Government Auditing Standards</i>	48-49
Independent Accountants' Report on Applying Agreed-Upon Procedures	50-51
Attachment to Report of Independent Accountants on Applying Agreed-Upon Procedures.....	52
Federal Single Audit	
Report of Independent Auditors on Compliance for Each Major Federal Program: Report on Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	53-56
Schedule of Expenditures of Federal Awards.....	57
Notes to Schedule of Expenditures of Federal Awards	58
Schedule of Findings and Questioned Costs.....	59-60

HOMES WITH HOPE, INC. AND AFFILIATE

CONTENTS (CONTINUED)

Other Information (Housing and Urban Development (HUD))

Certificate of Managing Agent	61
Certificate of Mortgagors.....	62

State Single Audit

Report of Independent Auditors on Compliance for Each 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	63-66
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Schedule of Expenditures of State Financial Assistance	67
Notes to the Schedule of Expenditures of State Financial Assistance.....	68-69
Schedule of Findings and Questioned Costs.....	70-71

Other Information (Connecticut Housing Finance Authority (CHFA))

Certificate of Managing Agent	72
Certificate of Mortgagors.....	73

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Homes with Hope, Inc. and Affiliate

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Homes with Hope, Inc. and Affiliate, which comprise the combined statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of Homes with Hope, Inc. and Affiliate as of December 31, 2021 and 2020, and the combined changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Homes with Hope, Inc. and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

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 shown 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 (CHFA), 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. The 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 supplementary information identified in the preceding paragraph 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 61 and 62, and pages 72 to 73, 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 August 29, 2022 on our consideration of Homes with Hope, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Homes with Hope, Inc. and Affiliate'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. and Affiliate's internal control over financial reporting and compliance.

Marcum LLP

New Haven, CT
August 29, 2022

HOMES WITH HOPE, INC. AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,493,585	\$ 1,036,487
Accounts receivable	34,932	29,692
Grants receivable	219,839	172,493
Prepaid expenses	19,615	18,126
Total Current Assets	<u>1,767,971</u>	<u>1,256,798</u>
Assets Limited As To Use		
Cash and cash equivalents	28,017	110,741
Board designated investments	698,980	633,987
Total Assets Limited As To Use	<u>726,997</u>	<u>744,728</u>
Property, Equipment and Leasehold Improvements		
Land and buildings	4,420,157	4,410,357
Furniture and equipment	231,125	231,125
Leasehold improvements	796,351	786,014
	5,447,633	5,427,496
Less accumulated depreciation and amortization	2,688,292	2,522,899
Total Property, Equipment and Leasehold Improvements	<u>2,759,341</u>	<u>2,904,597</u>
Other Assets		
Replacement and operating reserves	336,465	306,522
Tenants deposits held in trust	1,393	1,393
Total Other Assets	<u>337,858</u>	<u>307,915</u>
	<u>\$ 5,592,167</u>	<u>\$ 5,214,038</u>

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

HOMES WITH HOPE, INC. AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2021 AND 2020

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 26,271	\$ 25,508
Accounts payable	61,572	88,150
Accrued payroll and related withholdings	95,200	56,702
Refundable advances	58,005	46,253
Funds held for residents	1,752	1,752
Total Current Liabilities	242,800	218,365
Long-Term Liabilities		
Commercial mortgages, net of current portion	312,984	339,247
CHFA mortgage	1,967,741	1,984,971
Security deposits	13,646	11,707
Total Long-Term Liabilities	2,294,371	2,335,925
Total Liabilities	2,537,171	2,554,290
Net Assets		
Without donor restrictions	1,690,002	1,294,754
With donor restrictions	1,364,994	1,364,994
Total Net Assets	3,054,996	2,659,748
	\$ 5,592,167	\$ 5,214,038

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

HOMES WITH HOPE, INC. AND AFFILIATE

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Year ended December 31, 2021			Year ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Contributions and fundraising	\$ 1,600,467	\$ --	\$ 1,600,467	\$ 1,522,347	\$ --	\$ 1,522,347
Contributed use of facilities, goods and services	1,090,165	--	1,090,165	893,268	--	893,268
Grants	840,551	--	840,551	914,855	--	914,855
Paycheck Protection Program loan forgiveness	--	--	--	126,700	--	--
Rental income, including governmental rental assistance of \$232,513 in 2021 and \$244,171 in 2020	483,089	--	483,089	487,440	--	487,440
Fees	16,307	--	16,307	10,675	--	10,675
Investment return, net	64,888	--	64,888	59,674	--	59,674
	<u>4,095,467</u>	<u>--</u>	<u>4,095,467</u>	<u>4,014,959</u>	<u>--</u>	<u>4,014,959</u>
Expenses						
Program	3,052,800	--	3,052,800	2,979,899	--	2,979,899
General and administrative	293,000	--	293,000	264,966	--	264,966
Fundraising costs	354,419	--	354,419	312,094	--	312,094
	<u>3,700,219</u>	<u>--</u>	<u>3,700,219</u>	<u>3,556,959</u>	<u>--</u>	<u>3,556,959</u>
Change in Net Assets	395,248	--	395,248	458,000	--	458,000
Net Assets - Beginning	<u>1,294,754</u>	<u>1,364,994</u>	<u>2,659,748</u>	<u>836,754</u>	<u>1,364,994</u>	<u>2,201,748</u>
Net Assets - Ending	<u>\$ 1,690,002</u>	<u>\$ 1,364,994</u>	<u>\$ 3,054,996</u>	<u>\$ 1,294,754</u>	<u>\$ 1,364,994</u>	<u>\$ 2,659,748</u>

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

HOMES WITH HOPE, INC. AND AFFILIATE
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Year ended December 31, 2021				Year ended December 31, 2020			
	Program Expense	General and Administrative	Fundraising Costs	Total	Program Expense	General and Administrative	Fundraising Costs	Total
Payroll and related expenses	\$ 1,133,970	\$ 124,959	\$ 174,053	\$ 1,432,982	\$ 1,212,021	\$ 124,959	\$ 174,053	\$ 1,511,033
Depreciation and amortization	155,126	10,267	--	165,393	155,637	10,324	--	165,961
Direct fundraising expenses	--	--	154,608	154,608	--	--	120,416	120,416
Space occupancy	126,609	--	--	126,609	139,214	--	--	139,214
Interest expense	83,673	--	--	83,673	86,818	--	--	86,818
Professional fees and contracted services	100,049	79,898	--	179,947	98,068	63,735	--	161,803
Repairs and maintenance	143,251	--	--	143,251	92,217	--	--	92,217
Office expense	55,093	18,364	--	73,457	65,214	21,738	--	86,952
Insurance	43,661	14,554	--	58,215	42,587	14,196	--	56,783
Shelter and other program related services	95,486	--	--	95,486	115,182	--	--	115,182
Postage and delivery	--	1,362	17,758	19,120	--	660	6,625	7,285
Other operating expenses	30,188	695	--	30,883	18,139	1,029	--	19,168
Travel	2,720	907	--	3,627	8,436	2,812	--	11,248
Food purchases	3,484	--	--	3,484	59,437	--	--	59,437
Internet and telephone	26,174	8,725	--	34,899	20,249	6,750	--	26,999
Memberships and subscriptions	3,315	1,105	--	4,420	2,381	794	--	3,175
Contributed facilities	370,426	--	--	370,426	329,513	--	--	329,513
Contributed food, clothing and other	632,747	--	--	632,747	502,748	--	--	502,748
Contributed professional fees and contracted services	46,828	32,164	8,000	86,992	32,038	17,969	11,000	61,007
	<u>\$ 3,052,800</u>	<u>\$ 293,000</u>	<u>\$ 354,419</u>	<u>\$ 3,700,219</u>	<u>\$ 2,979,899</u>	<u>\$ 264,966</u>	<u>\$ 312,094</u>	<u>\$ 3,556,959</u>

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

HOMES WITH HOPE, INC. AND AFFILIATE

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 395,248	\$ 458,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	165,393	165,961
Interest accrued on CHFA note	65,827	65,826
Net realized and unrealized gain on investments	(57,678)	(50,282)
Changes in assets and liabilities:		
Grants receivable	(47,346)	(58,644)
Accounts receivable	(5,240)	71,261
Prepaid expenses	(1,489)	(1,543)
Accounts payable	(26,578)	36,969
Accrued payroll and related withholdings	38,498	12,066
Refundable advances	11,752	(3,070)
Security deposits	1,939	1,395
Net Cash Provided by Operating Activities	540,326	697,939
Cash Flows from Investing Activities		
Purchases of investments	(10,961)	(45,311)
Proceeds from sale of investments	3,646	39,628
Purchases of equipment and leasehold improvements	(20,137)	(30,886)
Net Cash Used in Investing Activities	(27,452)	(36,569)
Cash Flows from Financing Activities		
Repayment of long-term debt	(108,557)	(63,724)
Net Cash Used in Financing Activities	(108,557)	(63,724)
Net Change in Cash and Cash Equivalents	404,317	597,646
Cash and Cash Equivalents - Beginning	1,453,750	856,104
Cash and Cash Equivalents - Ending	\$ 1,858,067	\$ 1,453,750
Cash and Cash Equivalents as Presented on the Statements of Financial Position		
Cash and cash equivalents - current operating	\$ 1,493,585	\$ 1,036,487
Cash and cash equivalents - limited as to use	28,017	110,741
Replacement and operating reserves	336,465	306,522
	\$ 1,858,067	\$ 1,453,750

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

HOMES WITH HOPE, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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 provides food and emergency shelter to homeless men and women. Clients receive case management services to help them obtain permanent housing and employment, or income through other sources.
- Project Return is located on Compo Road North in Westport and provides food and emergency shelter for young women ages 18 – 24 years. Clients receive case management services to help them obtain permanent housing and employment or an income through other sources.
- 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 bags of nonperishable food weekly to any individual or family who asks.
- Mentoring Initiative provides mentoring for women and men in the community who are at risk of becoming homeless.
- After School Academic Program (ASAP) provides elementary to high school students a consistent structure, positive role models, academic support and enrichment activities that will help them develop the skills and tools they need to be successful at school and in their personal lives.
- HEAL (Health Empathy Altruism Love) is committed to helping adolescent girls living in our communities by bringing them together as a group to participate in volunteer service to others. Giving to others inspires feelings of well-being, optimism, confidence and success. In their service to others the girls begin to grow through that power of helping and healing others, gaining resiliency and improving their own self-esteem.
- The Powell Place Apartments on Saugatuck Avenue (IHA, Inc.) provides eight units of Permanent Supportive Housing (PSH) for the formerly homeless mentally ill. The 86 Saugatuck Avenue property, adjacent to Powell Place, was purchased at the end of 2011 and became operational in June 2012. It provides PSH for one family. HWH has a tax abatement agreement with the Town of Westport for the properties dated September 2014 that provides a 35% abatement on all real property taxes assessed on the properties.

HOMES WITH HOPE, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NATURE OF OPERATIONS (CONTINUED)

- The Westport Rotary Centennial House is located on 10 West End Avenue in Westport and provides six units of PSH for the formerly homeless mentally ill. HWH has a tax abatement agreement with the Town of Westport for the property dated December 2006 that provides a 100% abatement on all real property taxes assessed on the property.
- HwH provides case management and client support services to tenant/clients at Fair Street Apartments in Norwalk (10 units), Hales Court Apartments in Westport (10 units) and Sasco Creek Village in Westport (6 units).
- 1 Hayes Avenue, Norwalk property was purchased July 2014, providing two units of PSH.
- The Bacharach Community is located on Wassell Lane in Westport and provides 3 units of Permanent Supportive Housing (PSH) for formerly homeless mentally ill families.
- The Linxweiler House is located on the Post Road in Westport and provides 1 unit of Permanent Supportive Housing (PSH) for one formerly homeless mentally ill family.

SIGNIFICANT ACCOUNTING POLICIES

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.

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.

HOMES WITH HOPE, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

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 would include investments in highly liquid debt instruments with original maturities of three months or less when purchased. The Federal Deposit Insurance Corporation (FDIC) deposit insurance covers up to \$250,000 per depositor, per bank, 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.

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.

HOMES WITH HOPE, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The Board of Directors has a formal Investment Policy/Strategy plan, which includes the use of an investment management firm. Investment policy indicates that income from these 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, 2021 and 2020, the Association had no allowances for doubtful accounts.

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.

HOMES WITH HOPE, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$165,961 in 2021 and \$167,937 in 2020, 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.

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. There were no impairment losses in 2021 or 2020.

HOMES WITH HOPE, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021, 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.

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.

SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 29, 2022, the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure in these financial statements.

HOMES WITH HOPE, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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 October 2029. The Project Return facility is leased at one dollar per year through December 2036, with two options to renew for additional 5 year terms.

The Bacharach Community housing on Wassell Lane is leased for one dollar per year. The Wassell Lane Corporation has approved a lease extension through October 2024 with three 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, clothing, and other items that are provided to residents and others in need without charge, recognized in the statements of activities and changes in net assets as both revenues and expenses.

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

	2021	2020
Contributed use of facilities	\$ 370,426	\$ 329,513
Contributed food, clothing and other	632,747	502,748
	\$ 1,003,173	\$ 832,261

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. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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:

	2021	2020
Contributed legal services	\$ 4,500	\$ 17,205
Contributed contract services	82,492	43,802
	\$ 86,992	\$ 61,007

These 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:

	2021	2020
Undesignated	\$ 991,022	\$ 660,767
Designated by the governing board	698,980	633,987
Total Net Assets Without Donor Restrictions	\$ 1,690,002	\$ 1,294,754

HOMES WITH HOPE, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Subject to the Passage of Time:		
HUD Capital Advance	\$ 840,000	\$ 840,000
HUD grant for residential housing	419,055	419,055
	1,259,055	1,259,055
Subject to Appropriation and Expenditure When a Specified Event Occurs:		
Endowment held in accordance with investment policy	105,939	105,939
Total Net Assets With Donor Restrictions	\$ 1,364,994	\$ 1,364,994

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. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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, and available to the Association to expend on general operating activities. 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:

	2021	2020
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 86 Saugatuck Avenue, Westport, CT.	\$ 134,532	\$ 144,644

HOMES WITH HOPE, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 5 – LONG-TERM DEBT (CONTINUED)

	2021	2020
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.	\$ 204,723	\$ 220,111
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>1,967,741</u>	<u>1,984,971</u>
	2,306,996	2,349,726
Less current portion	<u>26,271</u>	<u>25,508</u>
Long-Term Portion	<u>\$ 2,280,725</u>	<u>\$ 2,324,218</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. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021 and 2020 on the CHFA mortgage was \$1,967,741 and \$1,984,971, respectively, including accumulated accrued interest of \$322,080 and \$339,310, respectively.

In 2020, the Association was notified by CHFA that based on the review of the 2019 annual financial statements, surplus cash of \$51,939 had been identified. Accordingly, seventy five percent of that amount, or \$38,954, was applied to accrued interest. The remaining \$12,985 was deposited into the operating reserve.

In 2021, the Association was notified by CHFA that based on the review of the 2020 annual financial statements, surplus cash of \$110,747 had been identified. Accordingly, seventy five percent of that amount, or \$83,057, was applied to accrued interest. The remaining \$27,690 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:

2020	\$	26,271
2021		27,057
2022		27,866
2023		28,699
2024		29,558
Thereafter		<u>2,167,545</u>
		<u>\$ 2,306,996</u>

HOMES WITH HOPE, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 6 – U.S. SMALL BUSINESS ADMINISTRATION PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Association received a loan (the PPP Loan) from First County Bank in the amount of \$116,700 under the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act. The Association elected to account for these funds as a conditional contribution under FASB ASC 958-605, *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. As such, the Association was able to recognize revenue to the extent that conditions were met. During the year ended December 31, 2020, the Association met the conditions associated with the PPP loan. As a result, the associated note was forgiven by the lender and the SBA on June 22, 2021.

HOMES WITH HOPE, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7 – GRANTS

A summary of grants for the years ended December 31, 2021 and 2020 is as follows:

Grantor	Grant Period	2021			
		Grant Amount	Grant Receivable	Refundable Advances	Grant Revenue
Department of Housing	07/01/20 - 06/30/21	\$ 158,638	\$ --	\$ --	\$ 79,319
Department of Housing	07/01/21 - 06/30/22	158,638	--	--	79,319
Department of Mental Health and Addiction Services	07/01/20 - 06/30/21	351,025	--	--	182,533
Department of Mental Health and Addiction Services	07/01/21 - 06/30/22	358,046	--	29,252	175,513
The Housing Collective - CT RRP contract	07/01/21 - 06/30/22	60,500	30,000	--	30,000
	07/01/20 - 06/30/21	124,000	--	--	60,000
The Housing Collective - Diversion Grant	07/1/20 - 6/30/21	75,000	60,000	--	30,000
	07/1/21 - 6/30/22	60,000	30,000	--	30,000
The Housing Collective - YDHP Grant	10/1/21 - 9/30/22	121,000	35,292	--	35,292
	10/1/20 - 9/30/21	60,500	30,250	--	30,250
Family & Children's Agency, Inc.	07/01/21 - 06/30/22	23,562	11,779	--	11,779
Family & Children's Agency, Inc.	07/01/20 - 06/30/21	23,562	--	--	11,782
Emergency Food and Shelter	Phase 37	33,947	--	--	16,973
Emergency Food and Shelter	Phase 38	14,506	--	7,253	7,253
Open Door Shelter - CT RRH/MFAP	07/1/20 - 6/30/21	38,538	--	--	19,269
	07/1/21 - 6/30/22	38,539	19,268	--	19,269
Town of Weston	07/01/21 - 06/30/22	9,000	--	4,500	4,500
	07/01/20 - 06/30/21	9,000	--	--	4,500
Town of Westport	07/01/21 - 06/30/22	13,000	3,250	--	6,500
	07/01/20 - 06/30/21	13,000	--	--	6,500
Other government support/event income			--	17,000	--
			<u>\$ 219,839</u>	<u>\$ 58,005</u>	<u>\$ 840,551</u>

HOMES WITH HOPE, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7 – GRANTS (CONTINUED)

Grantor	Grant Period	2020			
		Grant Amount	Grant Receivable	Refundable Advances	Grant Revenue
Department of Housing	07/01/19 - 06/30/20	\$ 158,638	\$ --	\$ --	\$ 79,319
Department of Housing	07/01/20 - 06/30/21	158,638	--	--	79,319
Department of Mental Health and Addiction Services	07/01/19 - 06/30/20	351,025	--	--	174,562
Department of Mental Health and Addiction Services	07/01/20 - 06/30/21	351,025	--	29,253	175,513
Supportive Housing Works - CT RRP contract	07/01/20 - 06/30/21	128,000	64,000	--	64,000
	07/01/19 - 06/30/20	35,268	--	--	17,634
Supportive Housing Works - Diversion Grant	07/1/19 - 6/30/20	120,000	--	--	60,000
	07/1/20 - 6/30/21	75,000	45,000	--	45,000
Supportive Housing Works - YDHP Grant	07/1/20 - 6/30/21	60,500	30,250	--	30,250
Family & Children's Agency, Inc.	07/01/19 - 06/30/20	23,562	--	--	11,781
Family & Children's Agency, Inc.	07/01/20 - 06/30/21	23,562	11,780	--	11,780
Emergency Food and Shelter	09/01/19 - 08/30/20	18,482	--	--	9,182
Emergency Food and Shelter	01/01/20 - 05/31/21	33,947	--	--	16,973
Open Door Shelter - CT RRH/MFAP	07/1/19 - 6/30/20	25,388	--	--	21,500
	07/1/20 - 6/30/21	38,538	10,463	--	19,269
Town of Weston	07/01/19 - 06/30/20	9,000	--	--	4,500
	07/01/20 - 06/30/21	9,000	4,500	--	4,500
Town of Westport	07/01/19 - 06/30/20	13,000	--	--	6,500
	07/01/20 - 06/30/21	13,000	6,500	--	6,500
Other government support/event income			--	17,000	76,773
			<u>\$ 172,493</u>	<u>\$ 46,253</u>	<u>\$ 914,855</u>

HOMES WITH HOPE, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 8 – INVESTMENTS AND FAIR VALUE MEASUREMENT

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

	2021		
	Cost	Fair Value	Excess of Fair Value Over Cost
Short-term cash investments	\$ 214,013	\$ 214,013	\$ --
Equity securities	<u>358,784</u>	<u>484,967</u>	<u>126,183</u>
	<u>\$ 572,797</u>	<u>\$ 698,980</u>	<u>\$ 126,183</u>
	2020		
	Cost	Fair Value	Excess of Fair Value Over Cost
Short-term cash investments	\$ 208,305	\$ 208,305	\$ --
Equity securities	<u>355,891</u>	<u>425,682</u>	<u>69,791</u>
	<u>\$ 564,196</u>	<u>\$ 633,987</u>	<u>\$ 69,791</u>

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

	2021	2020
Unrealized gains	\$ 56,392	\$ 46,752
Realized gains	1,286	3,530
Interest and dividends	<u>7,210</u>	<u>9,392</u>
	<u>\$ 64,888</u>	<u>\$ 59,674</u>

HOMES WITH HOPE, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 8 – 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 include:
 - Quoted process for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted process that are observable for the asset or liability;
 - Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.
- 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, 2021 and 2020.

- 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).
- Short-term cash investments are valued at \$1 per share.

HOMES WITH HOPE, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 8 – INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

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

	December 31, 2021		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Short-term cash investments	\$ 214,013	\$ --	\$ 214,013
Equity securities	<u>484,967</u>	<u>--</u>	<u>484,967</u>
	<u>\$ 698,980</u>	<u>\$ --</u>	<u>\$ 698,980</u>
	December 31, 2020		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Short-term cash investments	\$ 208,305	\$ --	\$ 208,305
Equity securities	<u>425,682</u>	<u>--</u>	<u>425,682</u>
	<u>\$ 633,987</u>	<u>\$ --</u>	<u>\$ 633,987</u>

RISKS AND UNCERTAINTIES FROM INVESTMENTS

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. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 9 – REPLACEMENT AND OPERATING RESERVES

IHA's agreement with HUD (the Regulatory Agreement) requires IHA to make monthly deposits of \$1,113 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 \$88,480 and \$89,983 at December 31, 2021 and 2020, 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 \$247,685 and \$216,239 at December 31, 2021 and 2020, respectively, are held by a third-party trustee.

NOTE 10 – 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 2021 or 2020 for the years ended December 31, 2021 and 2020, respectively.

NOTE 11 – 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 assistance to IHA, recorded as rental income in the accompanying combined statements of activities and changes in net assets, was \$118,208 and \$127,185 for the years ended December 31, 2021 and 2020, respectively.

HOMES WITH HOPE, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 12 – RESIDENTIAL ASSISTANCE PROGRAM

HWH receives rental subsidies under a Residential Assistance Program contract with the State of Connecticut Department of Social Services. Revenue from the contract, recorded in the accompanying combined statements of activities and changes in net assets as rental income, was \$114,305 and \$116,986 for the years ended December 31, 2021 and 2020, respectively.

NOTE 13– DISTRIBUTIONS

IHA’s regulatory agreement with HUD allows the Project to make distributions subject to certain provisions. For the year ended December 31, 2021 and 2020 there were no distributions made.

NOTE 14 – 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 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, 2021 and 2020, 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. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 14 – INFORMATION REGARDING LIQUIDITY AND AVAILABILITY (CONTINUED)

	2021	2020
Cash and cash equivalents	\$ 1,521,602	\$ 1,147,228
Accounts receivable	34,932	29,692
Grants receivable	219,839	172,493
Investments	698,980	633,987
 Total financial assets	 2,475,353	 1,983,400
 Investments with liquidity horizons greater than one year		
Restricted cash	(28,017)	(110,741)
Board-designated investments	(698,980)	(633,987)
 Financial assets available to meet cash needs for expenditures within one year	 <u>\$ 1,748,356</u>	 <u>\$ 1,238,672</u>

As discussed in Note 4, certain net assets with donor restrictions totaling \$1,259,055, which represent federal grant funds received in connection with capital asset acquisitions, in each of the years ended December 31, 2021 and 2020 represent net assets with time restrictions that do not affect the liquidity of the Organization.

NOTE 15 – RISKS AND UNCERTAINTIES

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. There is considerable uncertainty about the duration of closings. The Association has been able to continue its operations, however, at this point, the extent to which COVID-19 may impact the Association's financial condition or results of operations is uncertain.

HOMES WITH HOPE, INC. AND AFFILIATE

SCHEDULE I – DETAILS OF COMBINED REVENUES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Individuals	\$ 1,135,237	\$ 1,093,526
Corporate and foundations	435,950	347,117
Religious organizations	<u>29,280</u>	<u>81,704</u>
Total Contributions	<u>\$ 1,600,467</u>	<u>\$ 1,522,347</u>
State of Connecticut - DOH	\$ 158,638	\$ 158,638
State of Connecticut - DMHAS	358,046	350,075
Family & Children's Agency	23,561	23,561
Supportive Housing Works	254,080	253,766
Emergency Food and Shelter Program	24,226	26,155
Other Government Support	-	80,660
Town of Westport	13,000	13,000
Town of Weston	<u>9,000</u>	<u>9,000</u>
Total Grants	<u>\$ 840,551</u>	<u>\$ 914,855</u>
Facilities	\$ 370,426	\$ 329,513
Food, clothing and other	632,747	502,748
Legal services	4,500	17,205
Consulting services	<u>82,492</u>	<u>43,802</u>
Donated Facilities, Goods and Services	<u>\$ 1,090,165</u>	<u>\$ 893,268</u>
Gillespie Center and Hoskins Place	<u>\$ 16,307</u>	<u>\$ 10,675</u>
Total Fees	<u>\$ 16,307</u>	<u>\$ 10,675</u>

See independent auditors' report.

IHA, INC.
HUD PROJECT NO. 017-HD015

BALANCE SHEET DATA

DECEMBER 31, 2021

Account No.		
	Assets	
	Current Assets	
1120	Cash - operations	\$ <u>7,869</u>
1130	Tenant/member accounts receivable	<u>4,219</u>
1130N	Net tenant accounts receivable	<u>4,219</u>
1200	Prepaid Expenses	<u>2,245</u>
1100T	Total Current Assets	<u>14,333</u>
1191	Tenant Deposits Held in Trust	<u>1,393</u>
	Restricted Deposits	
1320	Replacement reserve	<u>88,780</u>
1300T	Total Restricted Deposits	<u>88,780</u>
	Fixed Assets	
1420	Buildings	1,218,250
1490	Miscellaneous fixed assets	<u>319,915</u>
1400T	Total Fixed Assets	1,538,165
1495	Accumulated Depreciation	<u>(1,064,494)</u>
1400N	Net Fixed Assets	<u>473,671</u>
1000T	Total Assets	<u>\$ <u>578,177</u></u>

See independent auditors' report.

IHA, INC.
HUD PROJECT NO. 017-HD015

BALANCE SHEET DATA (CONTINUED)

DECEMBER 31, 2021

Account
No.

Liabilities and Net Assets

Current Liabilities

2110	Accounts payable - operations	\$ 35,665
2113	Accounts payable - entity	<u>168,511</u>
2122T	Total Current Liabilities	<u>204,176</u>
2191	Tenant Deposits Held in Trust	<u>759</u>
2000T	Total Liabilities	<u>204,935</u>
3131	Net Assets Without Donor Restrictions	(466,758)
3133	Net Assets With Donor Restrictions	<u>840,000</u>
3130	Net Assets	<u>373,242</u>
2033T	Total Liabilities and Net Assets	<u><u>\$ 578,177</u></u>

See independent auditors' report.

IHA, INC.
HUD PROJECT NO. 017-HD015

PROFIT AND LOSS DATA

FOR THE YEAR ENDED DECEMBER 31, 2021

Account
No.

Revenues

5120	Rent revenue - gross potential	\$ 30,681
5121	Tenant assistance payments	<u>118,208</u>
5100T	Total Rent Revenue	148,889
5290	Vacancies	<u>12,672</u>
5152N	Net Rental Revenue	<u>136,217</u>
5440	Revenue from investments - replacement reserve	<u>9</u>
5400T	Total Financial Revenue	<u>9</u>
5910	Laundry and vending	55
5990	Miscellaneous Revenue (interest)	<u>6</u>
5900T	Total Other Revenue	<u>61</u>
5000T	Total Revenue	<u>136,287</u>

Expenses

Administrative

6311	Office expense	1,046
6320	Management fee	34,657
6350	Audit expense	14,685
6390	Miscellaneous administrative expenses	<u>11,347</u>
6263T	Total Administrative Expenses	<u>61,735</u>

See independent auditors' report.

IHA, INC.
HUD PROJECT NO. 017-HD015

PROFIT AND LOSS DATA (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2021

Account No.		
	Utilities	
6420	Fuel Oil/coal	\$ 7,889
6450	Electricity	15,191
6451	Water	3,420
6452	Gas	1,499
6453	Sewer Assessment	<u>2,942</u>
6400T	Total Utilities Expense	<u>30,941</u>
	Operating and Maintenance expense	
6515	Supplies	6,487
6520	Contracts	49,295
6525	Garbage and Trash Removal	1,620
6548	Snow Removal	<u>1,850</u>
6500T	Total Operating and Maintenance Expense	<u>59,252</u>
	Taxes and Insurance	
6710	Real estate taxes	10,683
6720	Property and Liability Insurance	5,877
6790	Miscellaneous Taxes, Licenses, Permits and Insurance	<u>977</u>
6700T	Total Taxes and Insurance	<u>17,537</u>
6000T	Total Cost of Operations Before Depreciation	<u>169,465</u>
5060T	Loss Before Depreciation	<u>(33,178)</u>
6600	Depreciation Expenses	<u>52,818</u>

See independent auditors' report.

IHA, INC.
HUD PROJECT NO. 017-HD015

PROFIT AND LOSS DATA (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2021

Account No.		
3247	Change in Net Assets Without Donor Restrictions from Operations	\$ (85,996)
S1100-060	Previous Year Net Assets Without Donor Restrictions	<u>(380,762)</u>
3131	Net Asset Without Donor Restrictions	<u>(466,758)</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	459,238
3250	Change in Total Net Assets	<u>(85,996)</u>
3130	Net Assets - End of year	<u><u>\$ 373,242</u></u>

See independent auditors' report.

IHA, INC.
HUD PROJECT NO. 017-HD015

STATEMENT OF CASH FLOWS DATA

FOR THE YEAR ENDED DECEMBER 31, 2021

Account No.		
Cash Flows from Operating Activities		
S1200-010	Rental receipts	\$ 129,840
S1200-020	Interest receipts	9
S1200-030	Other operating receipts	<u>61</u>
S1200-040	Total receipts	<u>129,910</u>
S1200-050	Administrative	(33,241)
S1200-090	Utilities	(25,569)
S1200-110	Operating and maintenance	(59,252)
S1200-140	Property Insurance	(5,877)
S1200-160	Tenant security deposits	(377)
S1200-150	Miscellaneous taxes and insurance	<u>(11,660)</u>
S1200-230	Total disbursements	<u>(135,976)</u>
S1200-240	Net Cash Used in Operating Activities	<u>(6,066)</u>
Cash Flows from Investing Activities		
S1200-330	Net Purchase of Fixed Assets	(20,077)
S1200-250	Net deposits to replacement reserve	<u>1,503</u>
S1200-350	Net Cash Used in Investing Activities	<u>(18,574)</u>
Cash Flows from Financing Activities		
S1200-450	Net activity due to affiliate	<u>7,695</u>
	Net Cash Provided by Financing Activities	<u>7,695</u>
S1200-470	Net Change in Cash	(16,945)
S1200-480	Cash - Beginning of period	<u>24,814</u>
S1200T	Cash - End of period	<u><u>\$ 7,869</u></u>

See independent auditors' report.

IHA, INC.
HUD PROJECT NO. 017-HD015

STATEMENT OF CASH FLOWS DATA (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

Account No.		
	Reconciliation of Net loss to Net Cash Provided Used in Activities	
3250	Net loss	\$ (85,996)
	Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities	
6600	Depreciation expense	52,818
S1200-490	Change in tenant accounts receivable	(6,377)
S1200-520	Change in prepaid expenses	5,372
S1200-540	Change in accounts payable	28,494
S1200-580	Change in tenant security deposits	<u>(377)</u>
S1200-610	Net Cash Used in Operating Activities	<u><u>\$ (6,066)</u></u>

See independent auditors' report.

IHA, INC.
HUD PROJECT NO. 017-HD015

COMPUTATION OF SURPLUS CASH

DECEMBER 31, 2021

<u>Account No.</u>		
	Computation of Surplus Cash	
S1300-010	Cash	\$ <u>9,262</u>
		<u>9,262</u>
	Current Obligations	
S1300-075	Accounts payable (due within 30 days)	35,665
S1300-110	Tenant security deposits	759
S1300-110	Accounts payable - entity	<u>168,511</u>
S1300-140	Total Current Obligations	<u>204,935</u>
S1300-150	Surplus Cash (Deficiency)	<u>\$ (195,673)</u>

See independent auditors' report.

IHA, INC.
HUD PROJECT NO. 017-HD015

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Account No.		Beginning Balance	Additions	Deductions	Ending Balance
1420	Buildings	\$ 1,208,450	\$ 20,077	\$ --	\$ 1,228,527
1490	Leasehold improvements	<u>309,638</u>	<u>--</u>	<u>--</u>	<u>309,638</u>
	Total	<u>1,518,088</u>	<u>20,077</u>	<u>--</u>	<u>1,538,165</u>
1495	Accumulated depreciation	<u>1,011,676</u>	<u>\$ 52,818</u>	<u>\$ --</u>	<u>1,064,494</u>
1400N	Net book value	<u>\$ 506,412</u>			<u>\$ 473,671</u>

Detail of Fixed Asset Additions and Deletions

Additions

1420	Roof replacement 92/94 Saugatuck	\$ 9,800
1420	Roof replacement 98 Saugatuck	<u>10,277</u>
		<u>\$ 20,077</u>

See independent auditors' report.

IHA, INC.
HUD PROJECT NO. 017-HD015

SCHEDULE OF RESERVE FOR REPLACEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Account No.</u>			
	Schedule of Reserve for Replacements		
1320P	Balance at beginning of year	\$	90,283
1320DT	Total monthly deposits		13,356
1320WT	Approved withdrawals		14,868
1320INT	Other deposits - interest income		<u>9</u>
1320	Balance at end of year	\$	<u><u>88,780</u></u>

See independent auditors' report.

Project Name: <u>Westport Rotary Centennial House</u>	Fiscal Year-End: <u>December 31, 2021</u>
CHFA Number: <u>06048S</u>	Beginning Date: <u>January 1, 2021</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	\$	34,279	
	Rental Income-Excess of Base	5120.1	3100.1	\$	-	
	Tenant Assistance Payments (HAP Receipts)	5121		\$	114,305	
	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			
Vacancies 5200	Apartments- Vacancy	5220	3210	\$	-	
	Stores & Commercial- Vacancy	5240		\$	-	
	Rental Concessions	5250		\$	-	
	Garage & Parking- Vacancy	5270		\$	-	
	Miscellaneous** (other vacancy)	5290		\$	-	
	Total Vacancies	5200T				
	Net Rental Revenue Rent Revenue Less Vacancy	5125N				\$ 148,584
Financial Revenue 5400	Elderly & Congregate Service Income (attach schedule)	5300				\$ 0
	Financial Revenue - Project Operations	5410	3610	\$	-	
	Revenue from Investments - Residual Receipts	5430		\$	-	
	Revenue from Investments - Replacement Reserves	5440		\$	33	
	Revenue from Investments - Miscellaneous **	5490		\$	170	
	Total Financial Revenue	5400T				\$ 203
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	\$	37	
	Total Other Revenue	5900T				\$ 37
	Total Revenue	5000T				\$ 148,824
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	\$	56,090	
	Manager or Superintendent Salaries	6330		\$	-	
	Administrative Rent Free Unit	6331		\$	-	
	Legal Expense (Project)	6340	4130	\$	-	
	Audit Expense	6350		\$	8,930	
	Bookkeeping Fees/Accounting Services	6351	4131	\$	864	
	Bad Debts	6370	4820	\$	695	
	State Service Charge - Administrative	6380	4716	\$	-	
	Miscellaneous Administrative Expenses **	6390		\$	-	
	Total Administrative Expenses	6263T				\$ 66,579

See independent auditors' report.

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	\$ 10,247	
	Water	6451	4310	\$ 1,916	
	Gas	6452	4330	\$ 6,299	
	Sewer	6453	4360	\$ 1,450	
	Cable Television	6454	4350	\$ 864	
	Total Utilities Expense	6400T			\$ 20,776
Operating & Maintenance Expenses 6500	Payroll	6510	4410	\$ -	
	Compensated Absences - Maintenance Wages	6510.1	4410.1	\$ -	
	Supplies	6515	4420	\$ 1,114	
	Contracts	6520	4430	\$ 24,484	
	Operating & Maintenance Rent Free Unit	6521		\$ -	
	Garbage & Trash Removal	6525	4710	\$ 780	
	Security Payroll/ Contracts	6530		\$ -	
	Security Rent Free Unit	6531		\$ -	
	Heating/Cooling Repairs & Maintenance	6546		\$ 1,840	
	Snow Removal	6548		\$ 1,250	
	Vehicle & Maintenance Equip. Operation & Repair	6570	4440	\$ -	
	Miscellaneous Operating & Maintenance **	6590	6200	\$ -	
	Total Operating & Maintenance Expenses	6500T			\$ 29,468
Taxes & Insurance 6700	Real Estate Tax	6710	4715	\$ -	
	Payroll Taxes (project share)	6711	4161	\$ -	
	Property & Liability Insurance	6720	4711	\$ 10,277	
	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			\$ 10,277
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			\$ 192,927
	Profit (Loss) before Depreciation & Int.	5060T			\$ -44,103
	Depreciation Expenses	6600		\$ 66,929	
	Amortization Expense	6610		\$ -	
	Total Depreciation & Amortization Expense				\$ 66,929
	Operating Profit (Loss) after Depreciation & Int.	5060N			\$ -111,032
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			\$ -111,032

See independent auditors' report.

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		\$ -	
	Damages & Cleaning Fees	5930		\$ -	
	Forfeited Tenant Security Deposits	5940		\$ -	
	Tenant Charges	5920		\$ 0	
Office 6311	Office Supplies	6315	4151	\$ -	
	Telephone and Answering Service	6360		\$ -	
	Office Expenses	6311		\$ 0	
Payroll 6510	Janitor and Cleaning Payroll	6511		\$ -	
	Grounds Payroll	6535		\$ -	
	Repairs Payroll	6540		\$ -	
	Payroll	6510		\$ 0	
Supplies 6515	Janitor and Cleaning Supplies	6516		\$ 1,114	
	Exterminating Supplies	6522		\$ -	
	Ground Supplies	6536		\$ -	
	Repairs Material	6541		\$ -	
	Decorating Supplies	6561		\$ -	
	Supplies	6515	4420	\$ 1,114	
Contracts 6520	Janitor and Cleaning Contracts	6517		\$ 24,484	
	Exterminating Contracts	6519		\$ -	
	Grounds Contracts	6537		\$ -	
	Repairs Contracts	6542		\$ -	
	Elevator Maintenance Contract	6545		\$ -	
	Swimming Pool Maintenance Contract	6547		\$ -	
	Decorating (Painting) Contract/Payroll	6560		\$ -	
	Contracts	6520	4430	\$ 24,484	
Misc. 6790	Miscellaneous Taxes, Licenses, Permits	6719		\$ -	
	Other Insurance	6729		\$ -	
	Miscellaneous Taxes, Permits & Insurance	6790		\$ 0	

See independent auditors' report.

**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, 2021</u>
CHFA Number: <u>06048S</u>	Beginning Date: <u>January 1, 2021</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)	\$ 90,172	
	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)		\$ 90,172
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)	\$ 55,570	
	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)	\$ 5,860	
	11. Prepaid Rents (Account 2210)	\$ 0	
	12. Tenant security deposits liability (Account 2191)	\$ 725	
	13. Other (Describe)	\$ 0	
	(B) Less: Total Current Obligations (Add Lines 4 through 13)		\$ 62,155
	(C) Surplus Cash (Deficiency)(Line (A) minus Line (B))		\$ 28,017

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

	1a. Surplus Cash (From Line (C))		\$ 28,017
	1b. Less: Additional Interest Due CHFA, if applicable		\$ 0
	1c. Surplus Cash Available for Distribution		\$ 28,017
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

See independent auditors' report.

**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, 2021</u>
CHFA Number: <u>06048S</u>	Beginning Date: <u>January 1, 2021</u>
HUD Number: <u>NA</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	\$ <u>(44,103)</u>
B. Less: Revenue from Investments - Residual Receipts	5430	\$ <u>-</u>
C. Less: Revenue from Investments - Replacement Reserves	5440	\$ <u>33</u>
D. Less: Revenue from Investments - Miscellaneous (Restricted Accounts Only)	5490	\$ <u>170</u>
E. Plus: Total Financial Expenses	6800T	\$ <u>65,827</u>
F. Less: Replacement Reserve Deposits	Part II #2	\$ <u>3,156</u>
G. Net Operating Income (NOI)		\$ <u>18,365</u>

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 HM 6-50 \$ -

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:

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

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:

	\$ <u>-</u>
	\$ <u>-</u>
\$ <u>-</u>	

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	\$ <u>18,365</u>
Plus: Replacement Reserve releases included as expenses in Statement of Operations	Part II - A1	\$ <u>-</u>
Less/Plus: Extraordinary or one-time income / expense(s)	Part II - A3	\$ <u>-</u>
Plus: Other Restricted Reserve Accounts	Part II - B2	\$ <u>-</u>
Plus: Interest Reduction Payments	Part II - C2	\$ <u>-</u>
Equals: Adjusted Net Operating Income (NOI)		\$ <u>18,365</u>

See independent auditors' report.

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

SCHEDULE OF RESERVE FOR REPLACEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Account No.		
	Reserve for Replacements	
1320P	Balance - January 1, 2021	\$ 32,549
1320DT	Total monthly deposits	3,156
1320INT	Interest income	32
1320WT	Approved withdrawals	<u> --</u>
1320	Balance - December 31, 2021	<u><u>\$ 35,737</u></u>

See independent auditors' report.

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

CHANGES IN FIXED ASSET ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Account No.	Assets			Balance 12/31/2021
	Balance 1/1/2021	Additions	Deletions	
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>(757,948)</u>	<u>(66,929)</u>	<u>--</u>	<u>(824,877)</u>
1440N Total net book value	<u>\$ 1,776,248</u>	<u>\$ (66,929)</u>	<u>\$ --</u>	<u>\$ 1,709,319</u>

See independent auditors' report.

**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, 2021, 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 August 29, 2022.

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) as a basis for determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
August 29, 2022

**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 on whether the electronic submission of certain information agrees with the related hard copy documents within the audit reporting package. IHA, Inc., HUD Project No. 017-HD015 (the Project) is responsible for the accuracy and completeness of the electronic submission.

The Project has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to determine whether the electronic submission of certain information agrees with the related hard copy documents within the audit reporting package. Additionally, the U.S. Department of Housing and Urban Development Real Estate Assessment Center (REAC) has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

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.

We were engaged by the Project to perform this agreed-upon procedure engagement and conducted our engagement in accordance with 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 engagement, 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 are required to be independent of the Project and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

We were engaged to perform an audit in accordance with the *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance)*, by the Project as of and for the year ended December 31, 2021, and have issued our reports thereon dated August 29, 2022. 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 August 29, 2022, was expressed in relation to the basic financial statements of the Project taken as a whole.

A copy of the reporting package required by the OMB Uniform Guidance, which includes the auditors’ reports, is available in its entirety from the Project. 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.

Marcum LLP

New Haven, CT
August 29, 2022

IHA, INC.
HUD PROJECT NO. 017-HD015

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
IHA, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Major Federal Program

We have audited IHA Inc.'s compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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 \$258,154 in federal awards which is not included in the accompanying schedule of expenditures of federal awards for the year ended December 31, 2021. 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, 2021.

In our opinion, IHA, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*—issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of IHA, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of IHA Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Example Entity's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Example Entity's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Example Entity's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding IHA Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of IHA Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 IHA Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2021, and have issued our report thereon dated August 29, 2022, 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
August 29, 2022

IHA, INC.
HUD PROJECT NO. 017-HD015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Living 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>118,208</u>
Total Expenditures of Federal Awards		<u>\$ --</u>	<u>\$ 958,208</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, 2021

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, 2021. 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.

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, 2021 remained unchanged from January 1, 2021.

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, 2021

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)

- 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, 2021

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.

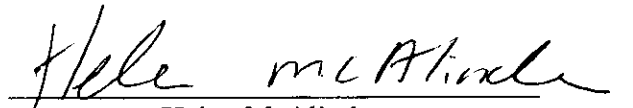
Matthew Fontaine

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.



Helen McAlinden
President & CEO
IHA, Inc.
EIN 06-1566759

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH 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 EACH MAJOR STATE PROGRAM

OPINION ON EACH 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 each of Homes with Hope, Inc.'s major state programs for the year ended December 31, 2021. 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.

Homes with Hope, Inc.'s financial statements are included in combined financial statements with IHA, Inc., its affiliate. Our audit, described below, did not include the operations of IHA, Inc., as IHA, Inc. did not have expenditures of state financial assistance for the year ended December 31, 2021.

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, 2021.

BASIS FOR OPINION ON EACH MAJOR STATE PROGRAM

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Homes with Hope, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of Homes with Hope, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Homes with Hope, Inc.'s state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Homes with Hope, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Homes with Hope, Inc.'s compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Homes with Hope, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Homes with Hope, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Homes with Hope, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON 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 a 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 a 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 attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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., which are included in combined financial statements with IHA, Inc., its affiliate, as of and for the year ended December 31, 2021 and have issued our report thereon dated August 29, 2022, 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 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 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
August 29, 2022

HOMES WITH HOPE, INC.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE FOR THE YEAR ENDED DECEMBER 31, 2021

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		\$ --	\$ 1,967,741
Department of Mental Health and Addiction Services			
- Housing Supports and Services	11000-MHA53000-12035	94,809	351,025
Department of Housing			
- Emergency Shelter Services (ESS)	11000-DOH46900-16149-1200901	--	119,372
- Shelter Diversion/Rapid Rehousing	11000-DOH46900-16149-1200907	--	90,000
- Rental Assistance Program	11000-DOH46920-16149-1200905	--	114,305
Total State Financial Assistance		<u>\$ 94,809</u>	<u>\$ 2,642,443</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, 2021

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, 2021. 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 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, 2021

NOTE 2 – SUBRECIPIENTS

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

Md-Fairfield AIDS Project, Inc	\$	17,800
The Housing Collective		41,408
Open Door Shelter, Inc.		17,800
Family & Children's Agency, Inc.		<u>17,800</u>
	\$	<u>94,809</u>

HOMES WITH HOPE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

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		\$ 1,967,741
Dollar threshold used to distinguish between Type A and Type B Programs:		<u>\$200,000</u>

HOMES WITH HOPE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2021

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

- We issued reports, dated August 29, 2022 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

There were no findings related to State financial assistance programs in the prior year.

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.

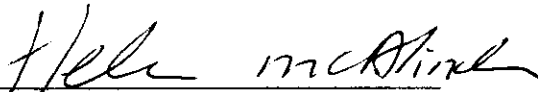
Matthew Fontaine

Matthew Fontaine, Controller
DeMarco Management Company
EIN 06-1371436

WESTPORT ROTARY CENTENNIAL HOUSE
CHFA PROJECT NO. #06048S

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.



Helen McAlinden
President & CEO
Homes With Hope, Inc.
EIN 22-2534326