

Housing Opportunities, Inc.
Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

***REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION***

For the Year Ended June 30, 2017

SAUNDERS & ASSOCIATES, PLLC
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HOUSING OPPORTUNITIES, INC.
Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8

We have audited the accompanying financial statements of Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8 as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. In addition, the accompanying supplemental information, as listed in the preceding table of contents, is presented for purposes of additional analysis 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2017 on our consideration of Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8's internal control over financial reporting and compliance.



SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

September 18, 2017

FINANCIAL STATEMENTS

HOUSING OPPORTUNITIES, INC.
 Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

STATEMENT OF FINANCIAL POSITION

June 30, 2017

ASSETS

Current Assets:			
Cash		\$	49,783
Tenant Rent Receivable			4,243
Prepaid Expense			4,265
Total Current Assets			<u>58,291</u>
Fixed Assets:			
Land	\$	115,694	
Buildings		2,096,137	
Building Equipment - Portable		76,886	
Furnishings		2,250	
Office Furniture & Equipment		18,680	
Maintenance Equipment		38,063	
Miscellaneous Fixed Assets		<u>340,501</u>	
Total Fixed Assets		2,688,211	
Less: Accumulated Depreciation		<u>(2,203,258)</u>	
Net Fixed Assets			<u>484,953</u>
Other Non-Current Assets:			
Tenant Deposits Held In Trust		21,279	
Reserve for Replacement	\$	<u>226,049</u>	
Total Other Assets			<u>247,328</u>
TOTAL ASSETS		\$	<u>790,572</u>

LIABILITIES AND NET ASSETS

Current Liabilities:			
Accounts Payable		\$	8,992
Accrued Expenses - Management Fee Payable			39,547
Accrued Interest			7,597
Mortgage Payable - Current Portion			114,034
Total Current Liabilities			<u>170,170</u>
Other Non-Current Liabilities			
Tenant Deposits Held In Trust			21,279
Long-Term Liabilities - Mortgage Payable			985,535
Less Current Portion			<u>(114,034)</u>
Total Other Non-Current Liabilities			<u>892,780</u>
Total Liabilities			1,062,950
Unrestricted Net Assets			<u>(272,378)</u>
TOTAL LIABILITIES AND NET ASSETS		\$	<u>790,572</u>

* The accompanying notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES, INC.
Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	<u>Unrestricted</u>
<u>REVENUES</u>	
Apartment Rentals	\$ 651,703
Other Operating Revenues	<u>2,536</u>
Total Revenues	<u>654,239</u>
 <u>EXPENSES</u>	
Administrative	103,238
Utilities	124,075
Operating and Maintenance	77,868
Taxes and Insurance	64,148
Interest	95,644
Depreciation	<u>75,865</u>
Total Expenses	<u>540,838</u>
Total Operating Income (Loss)	113,401
Interest Income	<u>53</u>
Change in Net Assets	113,454
Net Assets - Beginning of Year	<u>(385,832)</u>
NET ASSETS, END OF YEAR	<u>\$ (272,378)</u>

* The accompanying notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES, INC.
Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

<u>Cash Flows From Operating Activities</u>	
Rental Receipts	\$ 647,149
Interest Receipts	53
Other Receipts	2,536
Administrative	(67,790)
Management Fees	(31,956)
Utilities	(128,750)
Operating and Maintenance	(79,182)
Interest on Mortgage Note	(96,445)
Tenant Security Deposits	100
Taxes & Insurance	(64,050)
Loss on Asset	851
Net Cash Provided (Used) by Operating Activities	<u>182,516</u>
<u>Cash Flows From Investing Activities</u>	
Purchase of Fixed Assets	(25,755)
Net Reserve for Replacements deposits	(22,044)
Net Cash Provided (Used) by Investing Activities	<u>(47,799)</u>
<u>Cash Flows from Financing Activities</u>	
Mortgage Principal Payments	(103,996)
Net Cash Provided (Used) by Financing Activities	<u>(103,996)</u>
Net Increase (Decrease) in Cash	30,721
Cash - Beginning of Year	<u>19,062</u>
CASH - END OF YEAR	<u>\$ 49,783</u>
Additional Cash Flow Information:	
Change in Net Assets	\$ 113,454
Adjustments to Reconcile Change in Net Assets to Net Cash Provided	
By Operating Activities:	
Loss on Asset	850
Depreciation	75,865
(Increase) Decrease in Accounts Receivable	(4,243)
(Increase) Decrease in Prepaid Expenses	98
(Increase) Decrease in Cash Restricted for Tenant Security Deposits	(1,576)
Increase (Decrease) in Accounts Payable	(5,928)
Increase (Decrease) in Accrued Expenses	3,431
Increase (Decrease) in Accrued Interest	(800)
Increase (Decrease) in Tenant Security Deposits Held in Trust	1,676
Increase (Decrease) in Prepaid Revenue	<u>(311)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 182,516</u>

* The accompanying notes are an integral part of the financial statements.

HOUSING OPPORTUNITIES, INC.
Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Housing Opportunities, Inc. a non-profit organization, (the Project) is a 75 unit apartment project for the elderly and disabled located in Texarkana, Arkansas. The Project is operated under Section 202 of the National Housing Act and regulated by the U. S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods.

The Project also is subject to Housing Assistance Payments agreements with the U. S. Department of Housing and Urban Development (HUD), and a significant portion of the Project's rental income is received from HUD.

Method of Accounting – The accrual method of accounting is used for financial statement purposes.

Income Tax Status – The Project and its nonprofit corporate owner qualify as an organization exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code* and are subject to a tax on income from any unrelated business. The Project files form 990 in the U.S. jurisdiction. Federal income tax statutes stipulate returns filed in any of the previous three reporting periods remain open to examination. Currently, the organization has no open examinations with the Internal Revenue Service.

Distributions – The Project's regulatory agreement with HUD stipulates, among other things, that the Project will not make distributions of assets or income to any of its officers or directors,

Estimates – The preparation of financial statements inconformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Cash Equivalents – For the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are considered cash equivalents. All balances were insured by the Project's financial institution under FDIC provisions.

Property and Equipment – Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. All assets with a useful life exceeding two years, and a cost greater than \$500 are capitalized. Land, buildings and equipment valued at cost totaled \$2,688,211 and depreciation for the year expensed on the statement of activities totaled \$75,865 for a balance of accumulated depreciation of \$2,203,258.

The building included in the statement of financial position is subject to a lien by HUD. Additionally, the property is subject to regulatory requirements as described in the following Note 2.

NOTE 2: MORTGAGE PAYABLE

The mortgage payable as of June 30, 2017, represents a permanent building loan provided by HUD. The balance due as of June 30, 2017 is \$985,535. The monthly installments for principal and interest are \$16,704 with a maturity date of January 2024. Interest is being charged at 9.25%. The mortgage note is secured by the apartment project.

HOUSING OPPORTUNITIES, INC.
Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

NOTE 2: MORTGAGE PAYABLE, CONTINUED

Maturities of the mortgage note in each of the next five years and in the aggregate are as follows:

For the year ending June 30,	
2018	\$ 114,034
2019	125,041
2020	137,111
2021	150,345
2022	164,857
Thereafter	<u>294,147</u>
TOTAL	<u>\$ 985,535</u>

Interest expense included in the statement of activities totaled \$95,644 for the year ended June 30, 2017.

The fair value of the mortgage payable is estimated, based on the current rates offered to the Project for debt of the same remaining maturities. At June 30, 2017, the fair value of the mortgage payable approximates the amounts recorded in the financial statements.

NOTE 3: HUD RESTRICTED DEPOSITS

Under the regulatory agreement, the Project is required to set aside amounts for the replacement of property and other project expenditures approved by HUD. HUD-restricted deposits, which approximate \$226,049 at June 30, 2017, are held in separate accounts and generally are not available for operating purposes.

NOTE 4: UNRESTRICTED NET ASSETS

None of the Project's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets.

NOTE 5: RENT INCREASES

Under the regulatory agreement, the Project may not increase rents charged to tenants without HUD approval.

NOTE 6: MANAGEMENT FEE

The Project pays a management fee equal to 5.5% of gross revenues to Texarkana Special Education Center, Inc.

HOUSING OPPORTUNITIES, INC.
Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

NOTE 7: FUNCTIONAL ALLOCATION OF EXPENSES

Expenditures incurred in connection with project operations and expenditures made for corporate (mortgagor entity) purposes have been summarized on a functional basis in the statements of activities.

NOTE 8: CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Project's operations are concentrated in the real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE 9: RELATED PARTIES

A contract has been executed with Texarkana Special Education Center, Inc. (an entity related through common management) to provide management of the Project. A fee of 5.5% of gross collections received is charged under this contract. Total management costs for the year ended June 30, 2017 were \$35,387. Additionally, \$39,547 was payable to Texarkana Special Education Center, Inc. at June 30, 2017.

NOTE 10: SUBSEQUENT EVENTS

Date of Management Evaluation – Management of the Project has evaluated subsequent events through September 18, 2017, which is the date the financial statements were available to be issued.

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

Board of Directors

Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8 (a non-profit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

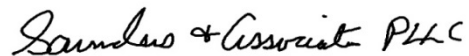
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

September 18, 2017

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

Board of Directors
Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8

Report on Compliance for Each Major Program

We have audited Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8's major federal programs for the year ended June 30, 2017. Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8's compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.


Report on Internal Control Over Compliance

Management of Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

September 18, 2017

SUPPLEMENTAL INFORMATION

HOUSING OPPORTUNITIES, INC.
 Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

STATEMENT OF FINANCIAL POSITION DATA

June 30, 2017

Account No.	<u>ASSETS</u>	
	Current Assets:	
1120	Cash	\$ 49,783
1130	Accounts Receivable Tenants	4,243
1200	Prepaid Expenses	4,265
1100T	Total Current Assets	<u>58,291</u>
1191	Deposit Held in Trust - Tenant Security Deposit	21,279
	Restricted Deposits:	
1320	Reserve for Replacement	226,049
1300T	Total Deposits	<u>226,049</u>
	Fixed Assets:	
1410	Land	115,694
1420	Buildings	2,096,137
1440	Building Equipment - Portable	76,886
1460	Furnishings	2,250
1465	Office Furniture and Equipment	18,680
1470	Maintenance Equipment	38,063
1490	Miscellaneous Fixed Assets	340,501
1400T	Total Fixed Assets	<u>2,688,211</u>
1495	Accumulated Depreciation	<u>2,203,258</u>
1400N	Net Fixed Assets	<u>484,953</u>
1000T	Total Assets	<u>\$ 790,572</u>
	<u>LIABILITIES AND NET ASSETS</u>	
	Current Liabilities	
2110	Accounts Payable - Operations	\$ 8,992
2123	Accrued Management Fee Payable	39,547
2131	Accrued Interest Payable-Mortgage	7,597
2170	Current portion of mortgage payable	114,034
2122T	Total Current Liabilities	<u>170,170</u>
2191	Tenant Security Deposits	21,279
2320	Mortgage Payable, Less Current Portion	<u>871,501</u>
2000T	Total Liabilities	1,062,950
3131	Unrestricted Net Assets	<u>(272,378)</u>
2033T	Total Liabilities & Net Assets	<u>\$ 790,572</u>

HOUSING OPPORTUNITIES, INC.
Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

STATEMENT OF ACTIVITIES DATA

For the Year Ended June 30, 2017

Account No.		
	<u>REVENUES</u>	
5120	Rent revenue- gross potential	\$ 255,520
5121	Tenant assistance payments	<u>406,376</u>
5100T	Total Rent Revenue	661,896
5220	Vacancies-apartments	<u>10,193</u>
5152N	Net Rental Revenue (rent revenue less vacancies)	651,703
5440	Revenue from investments - replacement reserves	<u>53</u>
5400T	Total Financial Revenue	<u>53</u>
5910	Laundry and Vending Revenue	<u>2,536</u>
5900T	Total Other Revenue	<u>2,536</u>
5000T	Total Revenue	<u>654,292</u>
	<u>EXPENSES</u>	
6311	Office Expenses	9,877
6320	Management Fee	35,387
6330	Manager or Superintendent Salaries	28,957
6331	Aministrative Rent Free Unit	8,304
6350	Audit Expense	12,029
6351	Bookkeeping Fees/Accounting Services	2,803
6390	Miscellaneous Administrative (staff training, misc. fees)	<u>5,881</u>
6263T	Total Administrative Expenses	<u>103,238</u>
6450	Electricity	55,905
6451	Water	45,746
6452	Gas	<u>22,424</u>
6400T	Total Utilities Expense	<u>124,075</u>
6510	Payroll	31,967
6515	Supplies	20,878
6520	Contracts	13,318
6546	Heating/Cooling Repairs and Maintenance	6,413
6590	Miscellaneous Operating and Maintenance Expense (equip. rent, misc.)	<u>5,292</u>
6500T	Total Operating and Maintenance Expenses	<u>77,868</u>

HOUSING OPPORTUNITIES, INC.
Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

STATEMENT OF ACTIVITIES DATA

For the Year Ended June 30, 2017

Account No.		
6711	Payroll Taxes (Project's Share)	4,411
6720	Property & Liability Insurance	51,395
6722	Workmen's Compensation	1,514
6723	Health Insurance and Other Employee Benefits	<u>6,828</u>
6700T	Total Taxes and Insurance	<u>64,148</u>
6820	Interest on Mortgage Payable	<u>95,644</u>
6800T	Total Financial Expenses	<u>95,644</u>
6000T	Total cost of operations before depreciation	<u>464,973</u>
5060T	Change in net assets before depreciation	189,319
6600	Depreciation Expense	<u>75,865</u>
5060N	Operating Profit or (Loss)	<u>113,454</u>
3247	Change in Unrestricted Net Assets from Operations	<u>\$ 113,454</u>
3250	Change in Total Net Assets from Operations	<u>\$ 113,454</u>
S1000-010	Total mortgage principal payments required during the year.	<u>\$ 94,842</u>
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement.	<u>\$ 39,987</u>
S1000-030	Replacement reserve or residual receipts releases which were included as expense items on this profit and loss statement.	<u>\$ 0</u>
S1000-040	Project improvement reserve releases under the flexible subsidy program that are included as expense items on this profit and loss statement.	<u>\$ 0</u>

HOUSING OPPORTUNITIES, INC.
 Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

FIXED ASSET AND DEPRECIATION SCHEDULE

For the Year Ended June 30, 2017

	Balance 06/30/16	Additions	Disposals	Balance 06/30/17
Land	\$ 115,694	\$ 0	\$ 0	\$ 115,694
Buildings	2,092,228	10,214	(6,305)	2,096,137
Building Equipment - Portable	73,481	4,335	(930)	76,886
Furnishings - Administration	2,250	0	0	2,250
Furnishings	18,680	0	0	18,680
Maintenance Equipment	38,063	0	0	38,063
Miscellaneous Fixed Assets	329,294	11,207	0	340,501
TOTALS	\$ 2,669,690	\$ 25,756	\$ (7,235)	\$ 2,688,211
Accumulated Depreciation	\$ 2,133,777	\$ 75,865	\$ (6,384)	\$ 2,203,258
Net Book Value				\$ 484,953

HOUSING OPPORTUNITIES, INC.
Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

SCHEDULE OF RESERVE FOR REPLACEMENTS

For the Year Ended June 30, 2017

RESERVE FOR REPLACEMENT

Balance, June 30, 2016	\$ 204,005
Required Monthly Deposits	40,623
Withdrawals	(18,631)
Interest Earned	<u>52</u>
BALANCE JUNE 30, 2017	<u>\$ 226,049</u>

HOUSING OPPORTUNITIES, INC.
Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

COMPUTATION OF SURPLUS CASH - ANNUAL

For the Year Ended June 30, 2017

Cash	\$ 71,062
Current Obligations:	
Accounts Payable	8,992
Accrued Expenses	39,547
Accrued Mortgage Interest Payable	7,597
Tenant Security Deposits	<u>21,279</u>
Total Current Obligations	<u>77,415</u>
Surplus Cash (Deficiency)	\$ <u><u>(6,353)</u></u>

HOUSING OPPORTUNITIES, INC.
 Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

<u>Federal Agency/Pass-Through Agency</u>	<u>CFDA Number</u>	<u>Grant (Identifying) Number</u>	<u>Expenditures</u>
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
202 Mortgage Note	14.157	082-EH047-NPC-L8	\$ 1,089,531 **
Housing Assistance Payment Program	14.195	AR37T811006	<u>406,376</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u><u>1,495,907</u></u>

** Beginning Loan Balance

* See accompanying notes to Schedule of Expenditures of Federal Awards.

HOUSING OPPORTUNITIES, INC.
Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Housing Opportunities, Inc., HUD Project No. 082-EH047-NPC-L8 ("the project") under programs of the federal government for the year ended June 30, 2017. The information in the schedule of expenditures of federal awards is presented on the accrual basis of accounting and 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 the project they are not intended to and do not present the financial position, changes in net assets or cash flows.

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 *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: CONTINGENT LIABILITIES

The project participates in federally assisted programs. This program is audited in accordance with *Government Auditing Standards* and the *Uniform Guidance*, if applicable, in accordance with the required levels of federal financial assistance. Audits of prior years have not resulted in any significant disallowed costs. Additionally, the grant programs are subject to audits by the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Based on prior experience, management believes that further examinations would not result in any significant disallowed costs.

NOTE 4: INDIRECT COSTS

The project has elected not to use the 10 percent de minimis indirect cost rate allowed under the *Uniform Guidance*.

NOTE 5: LOAN BALANCE

The project is required under the *Uniform Guidance* to report expenditures as related to its loan program as the beginning balance plus any advances during the period. There were no advances on the loan for the year ending June 30, 2017, and the balance reported was the ending balance as of June 30, 2016. The loan balance at June 30, 2017 was \$985,535.

HOUSING OPPORTUNITIES, INC.
Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

STATUS OF PRIOR AUDIT FINDINGS

June 30, 2017

None Reported.

HOUSING OPPORTUNITIES, INC.
Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements:

Type of Auditor’s Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material Weakness(es) identified? Yes No

Reportable Condition(s) identified not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal Control Over Major Programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weakness(es)? Yes None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?
 Yes No

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

Auditee qualified as low-risk auditee? Yes No

Identification of Major Programs:

<u>CFDA #</u>	<u>PROGRAM TITLE</u>
14.195	Housing Assistance Payment Program

Section II – Financial Statement Findings and Questioned Costs:

None reported.

Section III – Federal Awards Findings and Questioned Costs:

None reported.

HOUSING OPPORTUNITIES, INC.
Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

PROJECT CERTIFICATION

For the Year Ended June 30, 2017

Federal ID Number 71-0552782

We hereby certify that we have examined the accompanying financial statements and supplemental data of the Housing Opportunities, Inc. and, to the best of our knowledge and belief, the same is complete and accurate.

Housing Opportunities, Inc.
Texarkana, Arkansas

Project Manager

President, Board of Directors

Treasurer, Board of Directors

Date

HOUSING OPPORTUNITIES, INC.
Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

AUDITOR'S FEDERAL IDENTIFICATION NUMBER

June 30, 2017

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
P. O. Box 1406
Ada, OK 74820

#20-8209116

Lynn D. Saunders, CPA

HOUSING OPPORTUNITIES, INC.
Texarkana, Arkansas

HUD PROJECT NO. 082-EH047-NPC-L8

MANAGEMENT AGENT'S CERTIFICATION

Federal ID Number 71-0552782

For the Year Ended June 30, 2017

We hereby certify that we have examined the accompanying financial statements and supplemental data of the Housing Opportunities, Inc. and, to the best of our knowledge and belief, the same is complete and accurate.

Housing Opportunities, Inc.
Texarkana, Arkansas

Project Manager