

Housing Opportunities Addition, Inc.

Texarkana, Texas

EIN: 62-1403850

REPORT ON AUDIT OF FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

SAUNDERS & ASSOCIATES, PLLC

Certified Public Accountants

630 East 17th Street

P. O. Box 1406

Ada, Oklahoma 74820

(580) 332-8548

FAX: (580) 332-2272

Website: www.saunderscpas.com

HOUSING OPPORTUNITIES ADDITION, INC.
Texarkana, Texas

TABLE OF CONTENTS

June 30, 2017

	<u>Page</u>
Independent Auditor's Report	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities.....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6
Supplemental Data.....	9

Saunders & Associates, PLLC
Certified Public Accountants

630 East 17th Street * P. O. Box 1406 * Ada, Oklahoma 74820 * (580) 332-8548 * FAX: (580) 332-2272
Website: www.saunderscpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Housing Opportunities Addition, Inc.

We have audited the accompanying financial statements of Housing Opportunities Addition, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, 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. 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 Addition, Inc. 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.

Saunders & Associates PLLC

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

September 18, 2017

FINANCIAL STATEMENTS

HOUSING OPPORTUNITIES ADDITION, INC.
Texarkana, Texas

STATEMENT OF FINANCIAL POSITION

June 30, 2017

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	10,296
Investments		37,501
Accounts Receivable		40,208
Prepaid Expenses		<u>732</u>
Total Current Assets:		<u>88,737</u>

Fixed Assets:

Land & Improvements	\$	75,999
Building & Improvement		470,309
Equipment		100,383
Furniture & Fixtures		40,171
Transportation: Vehicle		<u>45,872</u>
Total Fixed Assets		<u>732,734</u>
Less: Accumulated Depreciation		<u>(545,247)</u>
Net Fixed Assets		<u>187,487</u>

TOTAL ASSETS \$ 276,224

LIABILITIES AND NET ASSETS

Liabilities:

Current Liabilities

Accounts Payable	\$	14,049
Due to Texarkana Special Education Center, Inc.		33,117
Current Portion of Notes Payable		<u>7,863</u>
Total Current Liabilities		<u>55,029</u>

Long-Term Liabilities

Notes Payable (Net of Current Portion)		<u>50,616</u>
Total Long-Term Liabilities		<u>50,616</u>

Total Liabilities 105,645

Net Assets:

Unrestricted 170,579

TOTAL LIABILITIES AND NET ASSETS \$ 276,224

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

HOUSING OPPORTUNITIES ADDITION, INC.
Texarkana, Texas

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	<u>Unrestricted</u>
<u>Revenues:</u>	
State, Federal and Local Contracts	\$ 677,416
Interest Income	193
Other Income	<u>88,039</u>
Total Unrestricted Revenues	<u>765,648</u>
<u>Expenses:</u>	
Program Services:	
Long-Term Care	712,652
Supporting Services:	
Management and General	<u>111,140</u>
Total Expenses	<u>823,792</u>
Change in Net Assets	(58,144)
Net Assets, Beginning of Year	<u>228,723</u>
NET ASSETS, END OF YEAR	<u>\$ 170,579</u>

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

HOUSING OPPORTUNITIES ADDITION, INC.
Texarkana, Texas

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

<u>EXPENSES</u>	<u>Long-Term Care</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Fringe Benefits	\$ 358,903	\$ 0	\$ 358,903
Contractual	141,379	87,228	228,607
Audit	0	10,379	10,379
Building Repair and Maintenance	3,044	0	3,044
Equipment Rental	889	3,486	4,375
Equipment Repair	132	0	132
Food and Food Supplies	22,473	0	22,473
Insurance	17,694	269	17,963
Janitorial Service and Supplies	2,276	0	2,276
EFT Fees	0	64	64
Office Supplies	0	2,104	2,104
Program Supplies	17,754	0	17,754
Subscriptions and Dues	0	1,885	1,885
Equipment and Facilities	1,959	0	1,959
Staff Education and Training	2,470	0	2,470
Transportation and Vehicle Expense	10,800	0	10,800
Telephone	0	5,211	5,211
Utilities	11,216	0	11,216
Postage	0	39	39
Miscellaneous	1,302	475	1,777
Interest	2,248	0	2,248
Depreciation	37,460	0	37,460
IT Supplies & Equipment	3,560	0	3,560
Provider Fee	<u>77,093</u>	<u>0</u>	<u>77,093</u>
TOTAL EXPENSES	\$ <u>712,652</u>	\$ <u>111,140</u>	\$ <u>823,792</u>

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

HOUSING OPPORTUNITIES ADDITION, INC.
Texarkana, Texas

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Change in Net Assets	\$ (58,144)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Used by Operating Activities:	
Depreciation	37,460
(Increase) Decrease in Assets:	
Accounts Receivable	7,305
Prepaid Expenses	10
Increase (Decrease) in Liabilities:	
Accounts Payable	4,621
Due to Texarkana Special Education Center, Inc.	<u>14,531</u>
Net Cash Provided (Used) by Operating Activities	<u>5,783</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property, Plant and Equipment	(2,232)
Net Increase in Investments	<u>(165)</u>
Net Cash Provided (Used) by Investing Activities	<u>(2,397)</u>

CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES

Proceeds from Borrowing	0
Principal Payments on Long-Term Debt	(13,752)
Payments on Long-Term Lease Obligation	<u>(8,600)</u>
Net Cash Provided (Used) by Financing Activities	<u>(22,352)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(18,966)
Cash and Cash Equivalents, Beginning of Year	<u>29,262</u>

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 10,296

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

HOUSING OPPORTUNITIES ADDITION, INC.
Texarkana, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: ORGANIZATION

Housing Opportunities Addition, Inc. (the Corporation) operates a 10-bed intermediate care facility for mentally disadvantaged citizens in the Texarkana area.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Statement Presentation – The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Corporation had no temporarily restricted or permanently restricted net assets for the year ended June 30, 2017; therefore, these classes have been omitted.

Investments – Investments, which consist of certificates of deposit, are stated at cost, which approximates market value. The Corporation classifies all certificates of deposit, regardless of their original maturities as investments.

Property, Plant and Equipment – Land, buildings and equipment with an acquisition cost of more than \$500, and a useful life exceeding two years are recorded at cost. Donated assets are recorded at the estimated value at date of receipt. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives of the assets range from 3 to 30 years.

Bad Debts – The Corporation utilizes the direct charge-off method of recognizing bad debts, which does not result in a material variance from generally accepted accounting principles which requires the reserve method.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, and demand deposits maintained at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Cash on hand and demand deposits held for clients are not considered cash equivalents, as such funds are not available for use in operations.

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

HOUSING OPPORTUNITIES ADDITION, INC.
Texarkana, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 3: RELATED PARTY TRANSACTIONS

Housing Opportunities Addition, Inc., Texarkana Special Education Center, Inc., Housing Opportunities, Inc., and Housing Opportunities Extension, Inc. are related entities that operate under the assumed name of Opportunities, Inc. The entities are related through management, program sponsorship and interlocking board members. For the year ended June 30, 2017, Texarkana Special Education Center, Inc. provided day services, and management to the Corporation in the amounts of \$127,571, and \$87,228 respectively. \$33,117 was payable to Texarkana Special Education Center, Inc. by the Corporation at June 30, 2017.

NOTE 4: ACCOUNTS RECEIVABLE

Details of accounts receivable as of June 30, 2017, is as follows:

Private Pay	\$ 4,424
Medicaid	<u>35,784</u>
	<u>\$ 40,208</u>

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at June 30, 2017:

	<u>Balance</u> <u>06/30/16</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>06/30/17</u>
Land and Land Improvements	\$ 75,999	\$ 0	\$ 0	\$ 75,999
Buildings	309,435	0	0	309,435
Building Improvements	160,874	0	0	160,874
Equipment	98,800	2,232	(649)	100,383
Furniture & Fixtures	40,171	0	0	40,171
Transportation Vehicle	<u>45,872</u>	<u>0</u>	<u>0</u>	<u>45,872</u>
Total	<u>\$ 731,151</u>	<u>\$ 2,232</u>	<u>\$ (649)</u>	<u>\$ 732,734</u>
Accumulated Depreciation	<u>\$ 508,436</u>	<u>\$ 37,460</u>	<u>\$ (649)</u>	<u>\$ 545,247</u>
Property, Plant and Equipment Net of Accumulated Depreciation				<u>\$ 187,487</u>

Depreciation expense for the year totaled \$37,460.

HOUSING OPPORTUNITIES ADDITION, INC.
Texarkana, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: NOTES PAYABLE

During July 2015, the Corporation entered into a note agreement in order to finance facility improvements. The loan total was \$79,197; carries an interest rate of 3.5% and is secured by the property. The note calls for 120 monthly payments of \$833, which began August 2015, and goes through the note's maturity during July 2025. At June 30, 2017, the loan balance was \$72,231. Minimum principal payments requirements for the next five years and thereon are as follows:

<u>June 30,</u>	
2018	\$ 7,863
2019	8,143
2020	8,432
2021	8,732
2022	9,042
Thereafter	<u>16,267</u>
 TOTAL	 \$ <u>58,479</u>

NOTE 7: CONTINGENCIES

The Corporation receives Medicaid funding through providing services to eligible clients. This funding is considered direct assistance to individuals and not federal financial assistance. Documentation of these services is subject to possible future audits by the funding agency which could result in the Corporation being required to refund some of the funds received for those services provided.

NOTE 8: CONCENTRATION OF CREDIT RISK

Housing Opportunities Addition, Inc. accounts receivable primarily consist of money due from the federal Medicaid program.

Housing Opportunities Addition, Inc. maintains its cash balances and certificates of deposit at several different financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Bank balances at year-end are categorized as follows to give an indication of the level of risk assumed by the organization.

<u>Category</u>	<u>Balance Per Bank</u>
1) Insured or collateralized with securities held by the organization or by its agent in the organization's name.	\$ 56,649
2) Collateralized with securities held by the pledging financial institution's trust department.	0
3) Uncollateralized	<u>0</u>
TOTAL	\$ <u>56,649</u>

HOUSING OPPORTUNITIES ADDITION, INC.
Texarkana, Texas

SUPPLEMENTAL DATA

June 30, 2017

Housing Opportunities Addition, Inc.
4600 County Avenue
Texarkana, AR 71854

EIN: 62-1403850

Telephone Number: (903) 791-2270 extension 4600

Executive Director: Sherry Young

Contact Person: Kathaleen Sanders

Fee: \$7,300