HOUSING OPPORTUNITIES ADDITION, INC.
TEXARKANA, ARKANSAS
EIN No. 62-1403850

Financial Statements
Year Ended June 30, 2019

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Haynie & Company
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Housing Opportunities Addition, Inc.
Texarkana, Arkansas

We have audited the accompanying financial statements of Housing Opportunities Addition, Inc. (a nonprofit organization) (the Corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, changes in net assets 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the Corporation as of June 30, 2019, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Haynie & Co.

San Antonio, Texas
September 16, 2019

FINANCIAL STATEMENTS

HOUSING OPPORTUNITIES ADDITION, INC.
TEXARKANA, ARKANSAS

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	43,891
Accounts Receivable		67,994
Total Current Assets		111,885
FIXED ASSETS		
Land and Land Improvements		75,999
Buildings and Building Improvements		470,309
Equipment		103,177
Furniture and Fixtures		40,171
Vehicles		45,872
Property Held Under a Capital Lease		42,988
Total Fixed Assets		778,516
Less Accumulated Depreciation		595,771
Net Fixed Assets		182,745
TOTAL ASSETS	$	294,630
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$	81,441
Accrued Liabilities		12,708
Due to Texarkana Special Education Center, Inc.		31,217
Current Portion of Obligation Under Capital Lease		10,431
Current Portion of Note Payable		8,253
Total Current Liabilities		144,050
LONG-TERM LIABILITIES		
Long-Term Portion of Obligation Under Capital Lease		25,804
Long-Term Portion of Note Payable		40,730
Total Long-Term Liabilities		66,534
TOTAL LIABILITIES		210,584
NET ASSETS		
Net Assets Without Donor Restrictions		84,046
TOTAL LIABILITIES AND NET ASSETS	$	294,630

The Accompanying Notes are an Integral Part of These Financial Statements.

HOUSING OPPORTUNITIES ADDITION, INC.
TEXARKANA, ARKANSAS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

REVENUE		
State, Federal and Local Contracts	$	630,457
Interest Income		35
Other Income		87,809
TOTAL REVENUE		718,301
EXPENSES		
PROGRAM SERVICES		
Long-Term Care		675,557
SUPPORTING SERVICES		
Management and General		95,408
TOTAL EXPENSES		770,965
CHANGE IN NET ASSETS	$	(52,664)

The Accompanying Notes are an Integral Part of These Financial Statements.

HOUSING OPPORTUNITIES ADDITION, INC.

TEXARKANA, ARKANSAS

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

EXPENSES	Long-Term Care	Management and General	Total
Salaries and Fringe Benefits	$ 379,042	$ -	$ 379,042
Contractual	137,616	82,764	220,380
Audit	-	7,700	7,700
Building Repair and Maintenance	5,870	-	5,870
Equipment Rental	813	-	813
Equipment Repair	1,485	-	1,485
Food and Food Supplies	15,547	-	15,547
Insurance	8,439	-	8,439
Janitorial Service and Supplies	2,472	-	2,472
Office Supplies	-	592	592
Program Supplies	9,539	-	9,539
Subscriptions and Dues	-	1,766	1,766
Equipment and Facilities	2,890	-	2,890
Staff Education and Training	2,212	-	2,212
Telephone	-	2,199	2,199
Utilities	14,637	-	14,637
Postage	-	18	18
Miscellaneous	1,234	369	1,603
Interest	3,728	-	3,728
Depreciation	25,969	-	25,969
IT Supplies & Equipment	1,299	-	1,299
Provider Fee	62,765	-	62,765
TOTAL EXPENSES	$ 675,557	$ 95,408	$ 770,965

The Accompanying Notes are an Integral Part of These Financial Statements.

HOUSING OPPORTUNITIES ADDITION, INC.
TEXARKANA, ARKANSAS

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

NET ASSETS - BALANCE JUNE 30, 2018	$	136,710
Change in Net Assets		(52,664)
NET ASSETS - BALANCE JUNE 30, 2019	$	84,046

The Accompanying Notes are an Integral Part of These Financial Statements.

HOUSING OPPORTUNITIES ADDITION, INC.
TEXARKANA, ARKANSAS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$	(52,664)
Adjustments to Reconcile Net Assets to		
Net Cash Provided by Operating Activities		
Depreciation		25,969
Decrease (Increase) in		
Accounts Receivable		(7,359)
Prepaid Expenses		994
Increase in		
Accounts Payable		62,612
Accrued Liabilities		16,649
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	46,201
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchases of Fixed Assets		(2,794)
NET CASH USED BY INVESTING ACTIVITIES		(2,794)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Note Payable		(7,850)
Principal Payments on Capital Lease Obligation		(6,754)
NET CASH USED BY FINANCING ACTIVITIES		(14,604)
NET INCREASE IN CASH		28,803
CASH - BEGINNING OF PERIOD		15,088
CASH - END OF PERIOD	$	43,891
Non-Cash Investing Activities		
Addition of an asset through a capital lease	$	42,988
Non-Cash Financing Activities		
Acquisition of a capital lease	$	42,988

The Accompanying Notes are an Integral Part of These Financial Statements.

HOUSING OPPORTUNITIES ADDITION, INC.

TEXARKANA, ARKANSAS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. ORGANIZATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial information is presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Revenue is recorded as it is earned; corporation expenses are recorded as they are incurred.

Cash and Cash Equivalents

Cash consists of currency on hand and demand deposits with financial institutions. Cash equivalents consist of all unrestricted investment securities with original maturities of 90 days or less. Financial instruments that potentially subject the Corporation to credit risk include cash balances at banks if they exceed the related federal deposit insurance. At times, balances deposited with financial institutions may have exceeded FDIC coverage; however, the Corporation has not experienced any historical losses as a result of this risk.

Property and Equipment

Property and equipment are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Donated assets are recorded as the estimated value at date of receipt. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of income. Depreciation is provided by using the straight-line method over the estimated useful lives of the related assets. Depreciation expense was $26,336 for the year ended June 30, 2019.

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.

Income Tax

The Corporation and its non-profit 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 Corporation files form 990 in the U.S. federal jurisdiction

The Corporation must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Corporation did not recognize any additional liabilities for uncertain tax positions as a result of the implementation of ASC 740-10-258. The Corporation is not subject to U.S. federal, state, and local, or non-U.S. income tax examinations by tax authorities for years before June 30, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. ACCOUNTS RECEIVABLE

Details of accounts receivable as of June 30, 2019, is as follows:

Medicaid	$ 60,575
Client	7,419
Total	$ 67,994

4. PROPERTY PLANT AND EQUIPMENT

	BALANCE 6/30/2018	ADDITIONS	DEDUCTIONS	BALANCE 6/30/2019
Land and Improvements	$ 75,999	$ -	$ -	$ 75,999
Buildings	309,435	-	-	309,435
Building Improvements	160,874	-	-	160,874
Equipment	100,383	2,794	-	103,177
Furniture and Fixtures	40,171	-	-	40,171
Vehicles	45,872	-	-	45,872
Property Held Under a Capital Lease	-	42,988	-	42,988
	732,734	45,782	-	778,516
Less: Accumulated Depreciation	569,802	25,969	-	595,771
Property , Plant and Equipment Net of Accumulated Depreciation	$ 162,932	$ 19,813	$ -	$ 182,745

5. NOTE PAYABLE

The Corporation has a note that bears an interest rate of 4.95% and is payable in monthly principal and interest installments of $941 and matures in July 2025. The building is pledged as collateral for the note. The balance of the note as of June 30, 2019 was $48,983 of which $8,253 was classified as current.

HOUSING OPPORTUNITIES ADDITION, INC.

TEXARKANA, ARKANSAS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

5. NOTE PAYABLE (CONTINUED)

Maturities of principal on the note payable for each of the next five (5) years and thereafter are as follows:

Year Ended June 30,		
2020	$	8,253
2021		8,463
2022		9,950
2023		10,461
2024		11,856
Total	$	48,983

6. CAPITAL LEASE

On October 31, 2018, the Corporation entered a capital lease agreement with the Arkansas Department of Transportation (ADT). This lease was for the purchase of a van. This lease is due and payable in 48 monthly payments of $961 beginning December 2018. The lease is through the ADT Translease program and bears no interest. The interest rate was imputed at 3.5% and is based on the Corporation's incremental borrowing rate. This lease will be paid in full in November 2021 at which time the title for the vehicle will be transferred to the Corporation.

Minimum future lease payments are as follows:

Year Ended June 30,		
2020	$	11,532
2021		11,532
2022		11,532
2023		3,847
Total Minimum Lease Payments		38,443
Less: Amount Representing Interest		2,208
Present Value of Net Minimum Lease Payments	$	36,235

Summary of property held under the capital lease is as follows:

Ford Van	$	42,988
Less: Accumulated Depreciation		5,015
Net Book Value	$	37,973

Depreciation expense relating to the asset under the capital lease was $5,015 for the year ended June 30, 2019.

7. UNRESTRICTED NET ASSETS

The Corporation is required to report information regarding its financial position and activities according to two classes of net assets: Net Assets Without Donor Restrictions and Net Assets With Donor Restrictions. The Corporation had no net assets with donor restrictions for the year ended June 30, 2019. Accordingly, all net assets are considered without donor restrictions.

8. RELATED PARTIES

The Corporation is engaged in a contract with Texarkana Special Education Center, Inc. (TSEC), an entity related through common management, program sponsorship and interlocking board of directors members. For the year ended June 30, 2019 TSEC provided day services and management to the Corporation in the amount of $82,764. Additionally, $17,423 was payable to TSEC at June 30, 2019.

9. LIQUIDITY AND AVAILABILITY

The Corporation manages liquidity needed for operations primarily through budgeted cash inflows and outflows. Cash inflows can be easily estimated since they are comprised mostly of state, federal and local contracts. Cash outflows are planned accordingly so as not to exceed those expected inflows. Excess operating cash is on hand in the event of unexpected outflows or for use a source of investment funds.

10. FUNCTIONAL EXPENSES

The Corporation provides intermediate care for mentally disadvantaged individuals. The costs of providing the Corporation programs and the administration of the Corporation have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The methods of allocating expenses related to providing these services are as follows:

Expense	Method of Allocation
Salaries and Fringe Benefits	Time & effort by cost center
Contractual	Time & effort by cost center
Audit	Charged as incurred by cost center
Building Repair and Maintenance	Square Footage
Equipment Rental	Charged as incurred by cost center
Equipment Repair	Charged as incurred by cost center
Food and Food Supplies	Charged as incurred by cost center
Insurance	Square Footage
Janitorial Service and Supplies	Square Footage
Office Supplies	Charged as incurred by cost center
Program Supplies	Charged as incurred by cost center
Subscriptions and Dues	Charged as incurred by cost center
Equipment and Facilities	Charged as incurred by cost center
Staff Education and Training	Charged as incurred by cost center
Transportation and Vehicle Expense	Charged as incurred by cost center
Telephone	Charged as incurred by cost center
Utilities	Square Footage
Postage	Charged as incurred by cost center
Miscellaneous	Charged as incurred by cost center
Interest	Charged as incurred by cost center
Depreciation	Charged as incurred by cost center
IT Supplies & Equipment	Charged as incurred by cost center
Provider Fee	Charged as incurred by cost center

11. 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.

12. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Corporation's operations are concentrated in the federal government's Medicaid program which provides funding to eligible clients. Accounts receivable primarily consist of funds due from the Medicaid program. Changes by an act of Congress or an administrative change mandated by Medicaid can affect the funding for the clients. 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.

13. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No.2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The core principle of ASU No. 2016-14 is to improve NFP financial statements and provide more useful information to donors, grantors, creditors, and other financial statement users. As a result of the new standard, the three existing classes of net assets (unrestricted, temporarily restricted, and permanently restricted) will now become two: Net assets without donor restrictions Net assets with donor restrictions. Additionally, information regarding the liquidity of resources and the methods used to allocate costs among program and support services will be disclosed.

14. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through September 16, 2019, the date which the financial statements were available to be issued. No such events have occurred subsequent to the statement of financial position date and through the date of the Corporation's evaluation that would require adjustment to, or disclosure in, the financial statements.