

HOUSING OPPORTUNITIES EXTENSION, INC.
TEXARKANA, ARKANSAS
HUD PROJECT NO. 082-EH140-NP-L8

**Financial Statements and
Supplementary Information
Year Ended June 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Housing Opportunities Extension, Inc. HUD Project No. 082-EH140-NP-L8 (a nonprofit organization) (the Project), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the Project 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 12 to 14 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General and is not a required part of the financial statements. 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*, 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 16, 2019, on our consideration of the Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Project's 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 the Project's internal control over financial reporting and compliance.

Haynie & Co.

San Antonio, Texas
September 16, 2019

FINANCIAL STATEMENTS

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2019

ASSETS

CURRENT ASSETS

1120 Cash - Operations	\$	53,318
1145 Accounts Receivable - Entity		<u>6,402</u>
Total Current Assets		<u>59,720</u>

1191 Tenant Deposits Held in Trust		<u>2,531</u>
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FUNDED RESERVES

1320 Replacement Reserve		<u>86,293</u>
Total Funded Reserves		<u>86,293</u>

FIXED ASSETS

1410 Land		16,263
1420 Buildings		323,506
1440 Building Equipment - Portable		11,656
1465 Office Furniture and Equipment		4,494
1470 Maintenance Equipment		1,602
1490 Miscellaneous Fixed Assets		<u>9,784</u>
Total Fixed Assets		<u>367,305</u>
1495 Less Accumulated Depreciation		<u>302,739</u>
Net Fixed Assets		<u>64,566</u>

TOTAL ASSETS	\$	<u><u>213,110</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

2110 Accounts Payable - Operations	\$	3,413
2123 Accrued Management Fee Payable		1,450
2131 Accrued Interest Payable - First Mortgage		1,117
2170 Current Portion of Mortgage Payable - First Mortgage		<u>15,688</u>
Total Current Liabilities		<u>21,668</u>

OTHER LIABILITIES

2191 Tenant Deposits Held in Trust		<u>2,531</u>
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LONG-TERM LIABILITIES

2320 Long-Term Portion of Mortgage Payable - First Mortgage		<u>129,193</u>
Total Long-Term Liabilities		<u>129,193</u>

TOTAL LIABILITIES		<u>153,392</u>
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NET ASSETS

3131 Net Assets Without Donor Restrictions		<u>59,718</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>213,110</u></u>
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HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

REVENUE

RENT REVENUE

5120 Rent Revenue - Gross Potential	\$ 50,313
5121 Tenant Assistance Payments	<u>62,727</u>
Total Gross Rental Revenue	<u>113,040</u>

VACANCIES

5220 Apartment Vacancy Loss	<u>8,243</u>
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Net Rental Revenue	<u>104,797</u>
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FINANCIAL REVENUE

5410 Revenue from Investments - Project Operations	<u>135</u>
Total Financial Revenue	<u>135</u>

TOTAL REVENUE	<u>104,932</u>
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PROJECT EXPENSES

ADMINISTRATIVE EXPENSES

6311 Office Expenses	4,586
6320 Management Fee	5,184
6330 Manager's Salary	8,745
6350 Audit Expense	7,675
6351 Bookkeeping Fees/Accounting Services	1,125
6390 Miscellaneous Administrative Expenses	<u>1,448</u>
Total Administrative Expenses	<u>28,763</u>

UTILITY EXPENSES

6450 Electricity	7,432
6451 Water	4,642
6452 Gas	<u>1,376</u>
Total Utility Expenses	<u>13,450</u>

OPERATING AND MAINTENANCE EXPENSES

6510 Payroll	4,314
6515 Supplies	1,127
6520 Contracts	5,180
6546 Heating/Cooling Repairs and Maintenance	784
6590 Miscellaneous Operating and Maintenance Expenses	<u>2,440</u>
Total Operating and Maintenance Expenses	<u>\$ 13,845</u>

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2019

TAXES AND INSURANCE

6711 Payroll Taxes	\$	895
6720 Property and Liability Insurance (Hazard)		8,642
6722 Workmen's Compensation		313
6723 Health Insurance and Other Employee Benefits		<u>2,353</u>
Total Taxes and Insurance Expense		<u>12,203</u>

FINANCIAL EXPENSES

6820 Interest on Mortgage Payable		<u>14,018</u>
Total Financial Expenses		<u>14,018</u>

TOTAL COST OF OPERATIONS BEFORE DEPRECIATION 82,279

NET OPERATING PROFIT BEFORE DEPRECIATION 22,653

6600 Depreciation Expense 8,359

CHANGE IN NET ASSETS \$ 14,294

Part II

1. Total mortgage principal payments required during the audit year	\$	<u>14,307</u>
2. Total of monthly deposits required in the audit year into Replacement Reserve account, as required by the Regulatory Agreement even if payments may be temporarily suspended or reduced	\$	<u><u>2,268</u></u>

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

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

NET ASSETS - BALANCE JUNE 30, 2018	\$	45,424
Change in Net Assets		<u>14,294</u>
NET ASSETS - BALANCE JUNE 30, 2019	\$	<u><u>59,718</u></u>

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

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

CASH FLOWS FROM OPERATING ACTIVITIES

S1200-010	Rental Receipts	\$	98,395
S1200-020	Interest Receipts		<u>135</u>
S1200-040	Total Receipts		<u>98,530</u>
S1200-050	Administrative Expenses		(26,987)
S1200-070	Management Fees		(5,184)
S1200-090	Utilities		(13,450)
S1200-100	Salaries and Wages		(4,314)
S1200-110	Operating and Maintenance		(11,174)
S1200-140	Property Insurance		(7,573)
S1200-150	Miscellaneous Taxes & Insurance		(3,561)
S1200-180	Interest on Mortgage Payable		<u>(14,128)</u>
S1200-230	Total Disbursements		<u>(86,371)</u>
S1200-240	NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>12,159</u>

CASH FLOWS FROM INVESTING ACTIVITIES

S1200-250	Net (Deposits to) Payments from Replacement Reserve		<u>(2,351)</u>
S1200-350	NET CASH PROVIDED BY INVESTING ACTIVITIES		<u>(2,351)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

S1200-360	Mortgage Principal Payments		<u>(14,307)</u>
S1200-460	NET CASH USED BY FINANCING ACTIVITIES		<u>(14,307)</u>
S1200-470	NET INCREASE IN CASH		(4,499)
S1200-480	CASH - BEGINNING OF PERIOD		<u>57,817</u>
S1200T	CASH - END OF PERIOD	\$	<u><u>53,318</u></u>

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

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

1. ORGANIZATION

Housing Opportunities Extension, Inc. (a non-profit organization) (the Project) is a 12 unit apartment Project for the elderly 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.

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; project 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. The Project has certain restricted funds required to be held in separate accounts under HUD regulations or terms imposed by lenders. Financial instruments that potentially subject the Project 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 Project 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. 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 \$8,359 for the year ended June 30, 2019.

The building included in the statement of financial position is subject to a lien by HUD. Additionally, the project is subject to regulatory requirements as described in the following Note 3.

Income Tax

The Project 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 Project files form 990 in the U.S. federal jurisdiction.

The Project 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 Project did not recognize any additional liabilities for uncertain tax positions as a result of the implementation of ASC 740-10-258. The Project 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.

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

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

2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Distributions

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

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. MORTGAGE PAYABLE

The Project has a permanent building loan provide by HUD. The note bears an interest rate of 9.25% and is payable in monthly principal and interest installments of \$2,370 and matures in May 2026. The project is pledged as collateral for the note. The balance of the note as of June 30, 2019 was \$144,881 of which \$15,688 was classified as current.

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

2020	\$ 15,688
2021	17,202
2022	18,863
2023	20,683
2024	22,680
Thereafter	<u>49,765</u>
TOTAL	<u>\$ 144,881</u>

4. HUD RESTRICTED DEPOSITS

Under the regulatory agreement, the Project is required to maintain a reserve for the replacement of property and other project expenditures approved by HUD. HUD-restricted deposits, which total \$86,293 at June 30, 2019, are held in separate accounts and generally are not available for operating purposes.

5. RENT INCREASES

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

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

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

6. NET ASSETS

The financial statements of the Project have been prepared in accordance with U.S. generally accepted accounting principles, which require the Project to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions. They may be used in performing the primary objectives of the Project at the discretion of management and the board of directors. For the year ended June 30, 2019 all net assets are considered to be without donor restrictions.

Net Assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. For the year ended June 30, 2019 the Project had no net assets with donor restrictions.

7. RELATED PARTIES AND MANAGEMENT FEE

The Project is engaged in a contract with Texarkana Special Education Center, Inc. (TSEC), an entity related through common management, to provide management services for the Project. A fee of 5% of gross collections received is payable under this contract. Total management fees for the year ended June 30, 2019 were \$5,184. Additionally, \$1,450 was payable to Texarkana Special Education Center, Inc. at June 30, 2019.

8. FUNCTIONAL 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.

The Project provides clean, safe housing to eligible elderly individuals. Expenses related to providing these services are as follows:

Administrative	\$	13,331
Utilities		13,450
Operating & Maintenance		13,845
Taxes & Insurance		12,203
Depreciation		8,359
Total \$		<u>61,188</u>
Management & General Services:		
Administrative	\$	15,432
Financial Expenses		14,018
Total \$		<u>29,450</u>

Categories of expenses included in the functional classes are attributed to only one classification and are directly charged as incurred.

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

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

9. LIQUIDITY AND AVAILABILITY

The Project manages liquidity needed for operations primarily through budgeted monthly cash inflows and outflows. Cash inflows can be easily estimated since they are comprised mostly of tenant rent and subsidy receipts. Cash outflows are planned accordingly so as not to exceed those expected inflows. Excess cash is on hand in the event of unexpected outflows. In addition, the Project maintains funds in a reserve for replacement account for property improvements or repairs and may be used only with the approval of HUD.

10. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Project's operations are concentrated in the multifamily real estate market, which is heavily regulated. The operations of the Project are subject to 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.

11. 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.

12. SUBSEQUENT EVENTS

The Project 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 balance sheet date and through the date of the Project's evaluation that would require adjustment to, or disclosure in, the financial statements.

SUPPLEMENTARY INFORMATION REQUIRED BY HUD

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

SUPPLEMENTARY INFORMATION
SUPPORTING DATA REQUIRED BY HUD
FOR THE YEAR ENDED JUNE 30, 2019

SCHEDULE 1

REPLACEMENT RESERVE

In accordance with the provisions of the Regulatory Agreement, restricted cash is held by the mortgage company to be used for replacement of property with the approval of HUD, as follows:

Balance – June 30, 2018	\$ 83,942
Required Monthly Deposits	2,268
Interest Income	<u>83</u>
	86,293

BALANCE CONFIRMED BY MORTGAGEE \$ 86,293

DETAIL OF ACCOUNTS

6590 Miscellaneous Operating and Maintenance Expenses:

Equipment Rental	\$ 692
Equipment Repair	1,137
Miscellaneous	<u>611</u>
Total	<u>\$ 2,440</u>

ADDITIONAL DISCLOSURES REGARDING THE INDEPENDENT ACCOUNTANT REQUIRED BY HUD

The Employer Identification Number of Haynie & Co., 2702 N. Loop 1604 E., Suite 202, San Antonio, Texas 78232 is 87-0325228. The engagement partner on the engagement is John Boekweg, Certified Public Accountant.

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

SUPPLEMENTARY INFORMATION
COMPUTATION OF SURPLUS CASH
FOR THE YEAR ENDED JUNE 30, 2019

SCHEDULE 2

COMPUTATION OF SURPLUS CASH – AS OF JUNE 30, 2019

CASH

Cash \$ 55,849

CURRENT OBLIGATIONS

Accrued Mortgage Interest Payable 1,117

Accounts Payable (Due Within 30 Days) 3,413

Accrued Expenses 1,450

Tenant Security Deposits and Interest Liability 2,531

Total Current Obligations 8,511

SURPLUS CASH

\$ 47,338

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

**SUPPLEMENTARY INFORMATION
CHANGES IN FIXED ASSET ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2019**

SCHEDULE 3

	COST			ACCUMULATED DEPRECIATION			NET BOOK VALUE 06-30-19		
	BALANCE 06-30-18	ADDITIONS	DEDUCTIONS	BALANCE 06-30-19	BALANCE 06-30-18	ADDITIONS		DEDUCTIONS	BALANCE 06-30-19
Land	\$ 16,263	\$ -	\$ -	\$ 16,263	\$ 2,552	\$ -	\$ -	\$ 2,552	\$ 13,711
Buildings	323,506	-	-	323,506	264,546	8,105	-	272,651	50,855
Building Equipment – Portable	11,656	-	-	11,656	11,402	254	-	11,656	-
Office Furniture and Equipment	4,494	-	-	4,494	4,494	-	-	4,494	-
Maintenance Equipment	1,602	-	-	1,602	1,602	-	-	1,602	-
Miscellaneous Fixed Assets	<u>9,784</u>	<u>-</u>	<u>-</u>	<u>9,784</u>	<u>9,784</u>	<u>-</u>	<u>-</u>	<u>9,784</u>	<u>-</u>
	<u>\$ 367,305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,305</u>	<u>\$ 294,380</u>	<u>\$ 8,359</u>	<u>\$ -</u>	<u>\$ 302,739</u>	<u>\$ 64,566</u>

SUPPLEMENTARY INFORMATION

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

**SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>EXPENDITURES</u>
Department of Housing and Urban Development		
Section 202 Mortgage Note	14.157	\$ 159,188
Housing Assistance Payment Program	14.195	<u>62,727</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u><u>221,915</u></u>

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Project and is presented on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The balance of the Section 202 Mortgage Note as of June 30, 2019 was \$144,881.



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*

2702 N. Loop 1604 E.
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210-979-0055

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

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 Extension, Inc. (HUD Project No. 082-EH140-NP-L8) (a nonprofit organization) (the Project), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Project'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 the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project'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 a 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 the Project's financial statements are free from 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*.

**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***

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

Haynie & Co.

San Antonio, Texas
September 16, 2019

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

**SUPPLEMENTARY INFORMATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no prior year findings.

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

**PROJECT CERTIFICATION
FEDERAL ID NUMBER 71-0606330
FOR THE YEAR ENDED JUNE 30, 2019**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Housing Opportunities Extension, Inc. HUD Project No. 082-EH140-NP-L8 (a nonprofit organization), and, to the best of our knowledge and belief, the same are complete and accurate.

By: _____
Project Manager
September 16, 2019

By: _____
President, Board of Directors
September 16, 2019

By: _____
Treasurer, Board of Directors
September 16, 2019