

HOUSING OPPORTUNITIES, INC.
TEXARKANA, ARKANSAS
HUD PROJECT NO. 082-EH047-NPC-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, Inc.
Texarkana, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of Housing Opportunities, Inc. HUD Project No. 082-EH047-NPC-L8 (a non-profit 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, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH047-NPC-L8

STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2019

ASSETS

CURRENT ASSETS

1120 Cash - Operations	\$	96,856
1130 Accounts Receivable - Tenant		4,194
1145 Accounts Receivable - Entity		5,962
Total Current Assets		<u>107,012</u>

1191 Tenant Deposits Held in Trust		<u>21,624</u>
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FUNDED RESERVES

1320 Replacement Reserve		<u>301,480</u>
Total Funded Reserves		<u>301,480</u>

FIXED ASSETS

1410 Land		115,694
1420 Buildings		2,098,542
1440 Building Equipment - Portable		77,449
1460 Furnishings		2,250
1465 Office Furniture and Equipment		18,680
1470 Maintenance Equipment		38,063
1490 Miscellaneous Fixed Assets		<u>340,181</u>
Total Fixed Assets		2,690,859
1495 Less Accumulated Depreciation		<u>2,331,863</u>
Net Fixed Assets		<u>358,996</u>

TOTAL ASSETS	\$	<u><u>789,112</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

2110 Accounts Payable - Operations	\$	13,229
2131 Accrued Interest Payable - First Mortgage		5,754
2170 Current Portion of Mortgage Payable - First Mortgage		<u>137,111</u>
Total Current Liabilities		<u>156,094</u>

OTHER LIABILITIES

2191 Tenant Deposits Held in Trust		<u>21,624</u>
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LONG-TERM LIABILITIES

2320 Long-Term Portion of Mortgage Payable - First Mortgage		<u>609,349</u>
Total Long-Term Liabilities		<u>609,349</u>

TOTAL LIABILITIES		<u>787,067</u>
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NET ASSETS

3131 Net Assets Without Donor Restrictions		<u>2,045</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>789,112</u></u>
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HOUSING OPPORTUNITIES, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH047-NPC-L8

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

REVENUE

RENT REVENUE

5120 Rent Revenue - Gross Potential	\$	244,915
5121 Tenant Assistance Payments		395,497
Total Gross Rental Revenue		<u>640,412</u>

VACANCIES

5220 Apartment Vacancy Loss		<u>9,706</u>
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Net Rental Revenue

630,706

FINANCIAL REVENUE

5440 Revenue from Investments - Replacement Reserve		37
5490 Revenue from Investments - Miscellaneous		111
Total Financial Revenue		<u>148</u>

OTHER REVENUE

5910 Laundry and Vending Revenue		<u>2,912</u>
Total Other Revenue		<u>2,912</u>

TOTAL REVENUE

633,766

PROJECT EXPENSES

ADMINISTRATIVE EXPENSES

6311 Office Expenses		6,902
6320 Management Fee		37,774
6330 Manager's Salary		25,409
6350 Audit Expense		9,400
6351 Bookkeeping Fees/Accounting Services		3,121
6390 Miscellaneous Administrative Expenses		2,894
Total Administrative Expenses		<u>85,500</u>

UTILITY EXPENSES

6450 Electricity		55,744
6451 Water		47,131
6452 Gas		26,765
Total Utility Expenses		<u>129,640</u>

OPERATING AND MAINTENANCE EXPENSES

6510 Payroll		34,587
6515 Supplies		20,162
6520 Contracts		9,757
6546 Heating/Cooling Repairs and Maintenance		6,369
6590 Miscellaneous Operating and Maintenance Expenses		6,209
Total Operating and Maintenance Expenses	\$	<u>77,084</u>

HOUSING OPPORTUNITIES, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH047-NPC-L8

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

TAXES AND INSURANCE

6711 Payroll Taxes	\$ 4,285
6720 Property and Liability Insurance (Hazard)	41,436
6722 Workmen's Compensation	1,880
6723 Health Insurance and Other Employee Benefits	8,619
Total Taxes and Insurance Expense	<u>56,220</u>

FINANCIAL EXPENSES

6820 Interest on Mortgage Payable	<u>74,437</u>
Total Financial Expenses	<u>74,437</u>

TOTAL COST OF OPERATIONS BEFORE DEPRECIATION 422,881

NET OPERATING PROFIT BEFORE DEPRECIATION 210,885

6600 Depreciation Expense 66,111

CHANGE IN NET ASSETS \$ 144,774

Part II

1. Total mortgage principal payments required during the audit year	\$ <u>125,041</u>
2. Total of monthly deposits in the audit year into Replacement Reserve account, as required by the Regulatory Agreement even if payments may be temporarily suspended or reduced	\$ <u>44,772</u>

HOUSING OPPORTUNITIES, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH047-NPC-L8

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

NET ASSETS - BALANCE JUNE 30, 2018	\$	(142,729)
Change in Net Assets		<u>144,774</u>
NET ASSETS - BALANCE JUNE 30, 2019	\$	<u><u>2,045</u></u>

HOUSING OPPORTUNITIES, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH047-NPC-L8

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

CASH FLOWS FROM OPERATING ACTIVITIES

S1200-010	Rental Receipts	\$	624,785
S1200-020	Interest Receipts		148
S1200-030	Other Receipts		<u>2,912</u>
S1200-040	Total Receipts		<u>627,845</u>
S1200-050	Administrative Expenses		(61,158)
S1200-070	Management Fees		(37,774)
S1200-090	Utilities		(129,640)
S1200-100	Salaries and Wages		(34,587)
S1200-110	Operating and Maintenance		(42,710)
S1200-140	Property Insurance		(36,486)
S1200-150	Miscellaneous Taxes & Insurance		(14,784)
S1200-160	Tenant Security Deposits		663
S1200-180	Interest on Mortgage Payable		<u>(75,401)</u>
S1200-230	Total Disbursements		<u>(431,877)</u>
S1200-240	NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>195,968</u>

CASH FLOWS FROM INVESTING ACTIVITIES

S1200-250	Net (Deposits to) Payments from Replacement Reserve		(44,920)
S1200-330	Net (Purchases) Sales of Fixed Assets		<u>(7,914)</u>
S1200-350	NET CASH USED BY INVESTING ACTIVITIES		<u>(52,834)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

S1200-360	Mortgage Principal Payments		<u>(125,041)</u>
S1200-460	NET CASH USED BY FINANCING ACTIVITIES		<u>(125,041)</u>

S1200-470	NET INCREASE IN CASH		18,093
S1200-480	CASH - BEGINNING OF PERIOD		<u>78,763</u>
S1200T	CASH - END OF PERIOD	\$	<u><u>96,856</u></u>

Non-Cash Investing Activities

Disposal of assets		\$	<u><u>6,528</u></u>
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HOUSING OPPORTUNITIES, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH047-NPC-L8

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

1 ORGANIZATION

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.

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 \$66,111 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, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH047-NPC-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 provided by HUD. The note bears an interest rate of 9.25% and is payable in monthly principal and interest installments of \$16,704 and matures in January 2024. The project is pledged as collateral for the note. The balance of the note as of June 30, 2019 was \$746,460 of which \$137,111 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	\$ 137,111
2021	150,345
2022	164,857
2023	180,770
2024	<u>113,377</u>
TOTAL	<u>\$ 746,460</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 \$301,480 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, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH047-NPC-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 5.5% of gross collections received is payable under this contract. Total management fees for the year ended June 30, 2019 were \$37,774 of which \$0 was payable as of June 30, 2019.

8. FUNCTIONAL ALLOCATIONS 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.

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

Program Services:		
Administrative	\$	32,311
Utilities		129,640
Operating & Maintenance		77,084
Taxes & Insurance		56,220
Depreciation		66,111
	Total \$	<u>361,366</u>
Management & General Services:		
Administrative	\$	53,189
Financial Expenses		74,437
	Total \$	<u>127,626</u>

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

HOUSING OPPORTUNITIES, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH047-NPC-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, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH047-NPC-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	\$ 256,560
Required Monthly Deposits	44,772
Interest Income	<u>148</u>
	301,480

BALANCE CONFIRMED BY MORTGAGEE \$ 301,480

DETAIL OF ACCOUNTS

1145 Accounts Receivable - Entity:

Due from Texarkana Special Education Center, Inc.	\$ 5,962
Total	<u>\$ 5,962</u>

5490 Revenue from Investments:

Interest Income	\$ 111
Total	<u>\$ 111</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, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH047-NPC-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 \$ 118,480

CURRENT OBLIGATIONS

Accrued Mortgage Interest Payable 5,754

Accounts Payable (Due Within 30 Days) 13,229

Tenant Security Deposits and Interest Liability 21,624

Total Current Obligations 40,607

SURPLUS CASH

\$ 77,873

HOUSING OPPORTUNITIES, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH047-NPC-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	\$ 115,694	\$ -	\$ -	\$ 115,694	\$ 9,302	\$ -	\$ -	\$ 9,302	\$ 106,392
Buildings	2,096,712	6,280	4,450	2,098,542	1,827,486	53,330	4,450	1,876,366	222,176
Building Equipment – Portable	77,623	1,634	1,808	77,449	68,559	3,919	1,661	70,817	6,632
Furnishings	2,250	-	-	2,250	2,250	-	-	2,250	-
Office Furniture and Equipment	18,680	-	-	18,680	18,680	-	-	18,680	-
Maintenance Equipment	38,063	-	-	38,063	38,063	-	-	38,063	-
Miscellaneous Fixed Assets	<u>340,181</u>	<u>-</u>	<u>-</u>	<u>340,181</u>	<u>307,523</u>	<u>8,862</u>	<u>-</u>	<u>316,385</u>	<u>23,796</u>
	<u>2,689,203</u>	<u>\$ 7,914</u>	<u>\$ 6,258</u>	<u>\$ 2,690,859</u>	<u>\$ 2,271,863</u>	<u>\$ 66,111</u>	<u>\$ 6,111</u>	<u>\$ 2,331,863</u>	<u>\$ 358,996</u>

SUPPLEMENTARY INFORMATION

HOUSING OPPORTUNITIES, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH047-NPC-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>GRANT NUMBER</u>	<u>EXPENDITURES</u>
Department of Housing and Urban Development			
Section 202 Mortgage Note	14.157	082-EH047-NPC-L8	\$ 871,501
Housing Assistance Payment Program	14.195	AR37T811006	<u>395,497</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u><u>1,266,998</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 Project did not elect to use the 10% de minimis indirect cost rate.

The balance of the Section 202 Mortgage Note as of June 30, 2019 was \$746,460.



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*

To the Board of Directors of
Housing Opportunities, 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, Inc. (HUD Project No. 082-EH047-NPC-L8) (a non-profit 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*.

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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***

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



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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Report on Compliance for Each Major Federal Program

We have audited Housing Opportunities, Inc.(a non-profit organization) (the Project) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Project's major federal programs for the year ended June 30, 2019. The Project'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 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 the Project'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 the Project'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 the Project's compliance.

Opinion on Each Major Federal Program

In our opinion, the Project 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, 2019.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Report on Internal Control Over Compliance (Continued)

Management of the Project 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 the Project's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the Project'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.

Haynie & Co.

San Antonio, Texas
September 16, 2019

HOUSING OPPORTUNITIES, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH047-NPC-L8

SUPPLEMENTARY INFORMATION SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

PART I – SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unmodified opinion on the financial statements of the Project.
2. No significant deficiencies relating to the audit of the consolidated financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Project were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported in the Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditor’s report on compliance for major programs expresses an unmodified opinion.
6. The audit disclosed no findings required to be reported by Section 200.516 of the Uniform Guidance.
7. The programs tested as major programs were:

Name of Federal Programs or Clusters	CFDA Number
Section 202 Mortgage Note	14.157
Housing Assistance Payment Program	14.195

8. A threshold of \$750,000 was used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance.
9. The Project did qualify as a low-risk auditee as that term is defined in the Uniform Guidance.

PART II – FINANCIAL STATEMENT FINDINGS SECTION

Reference Number	Finding	Questioned Costs
	There were no findings that are required to be reported under <i>Government Auditing Standards</i> .	<u>\$ -</u>

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

Reference Number	Finding	Questioned Costs
	There were no findings that are required to be reported under the Uniform Guidance.	<u>\$ -</u>

HOUSING OPPORTUNITIES, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH047-NPC-L8

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

There were no prior year findings.

HOUSING OPPORTUNITIES, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH047-NPC-L8

**PROJECT CERTIFICATION
FEDERAL ID NUMBER 71-0552782
FOR THE YEAR ENDED JUNE 30, 2019**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Housing Opportunities, Inc. HUD Project No. 082-EH047-NPC-L8 (a non-profit 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