

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

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**Financial Statements**  
**Year Ended June 30, 2020**


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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, 2020, 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, 2020, 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 & Company*

San Antonio, Texas  
October 9, 2020

## **FINANCIAL STATEMENTS**

# HOUSING OPPORTUNITIES ADDITION, INC.

TEXARKANA, ARKANSAS

## STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2020

### ASSETS

#### CURRENT ASSETS

Cash and Cash Equivalents	\$	16,491
Accounts Receivable		174,630
Total Current Assets		<u>191,121</u>

#### 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		<u>778,516</u>
Less Accumulated Depreciation		<u>624,099</u>
Net Fixed Assets		<u>154,417</u>

<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>345,538</u></b>
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### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES

Accounts Payable	\$	45,447
Accrued Liabilities		74,284
Due to Texarkana Special Education Center, Inc.		19,875
Current Portion of Obligation Under Capital Lease		10,802
Current Portion of Note Payable		8,745
Total Current Liabilities		<u>159,153</u>

#### LONG-TERM LIABILITIES

Long-Term Portion of Obligation Under Capital Lease		15,002
Long-Term Portion of Note Payable		31,185
Total Long-Term Liabilities		<u>46,187</u>

<b>TOTAL LIABILITIES</b>		<b><u>205,340</u></b>
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#### NET ASSETS

Net Assets Without Donor Restrictions		<u>140,198</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>345,538</u></b>
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# HOUSING OPPORTUNITIES ADDITION, INC.

TEXARKANA, ARKANSAS

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

<b>REVENUE</b>	
State, Federal and Local Contracts	\$ 758,971
Interest Income	63
Other Income	<u>127,229</u>
<b>TOTAL REVENUE</b>	<u>886,263</u>
<b>EXPENSES</b>	
<b>PROGRAM SERVICES</b>	
Long-Term Care	<u>725,320</u>
<b>SUPPORTING SERVICES</b>	
Management and General	<u>104,791</u>
<b>TOTAL EXPENSES</b>	<u>830,111</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 56,152</u>

# HOUSING OPPORTUNITIES ADDITION, INC.

TEXARKANA, ARKANSAS

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

<u>EXPENSES</u>	<u>Long-Term Care</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Fringe Benefits	\$ 413,469	\$ -	\$ 413,469
Contractual	107,893	91,068	198,961
Audit	-	8,085	8,085
Building Repair and Maintenance	11,511	-	11,511
Equipment Rental	844	-	844
Equipment Repair	21,026	-	21,026
Food and Food Supplies	15,571	-	15,571
Insurance	6,540	-	6,540
Janitorial Service and Supplies	2,727	-	2,727
Office Supplies	-	1,031	1,031
Program Supplies	13,166	-	13,166
Subscriptions and Dues	-	2,172	2,172
Equipment and Facilities	4,514	-	4,514
Staff Education and Training	64	-	64
Transportation and Vehicle Expense	2,027	-	2,027
Telephone	-	2,147	2,147
Utilities	10,574	-	10,574
Postage	-	108	108
Miscellaneous	1,433	180	1,613
Interest	2,607	-	2,607
Depreciation	28,328	-	28,328
IT Supplies & Equipment	222	-	222
Provider Fee	82,804	-	82,804
<b>TOTAL EXPENSES</b>	<b>\$ 725,320</b>	<b>\$ 104,791</b>	<b>\$ 830,111</b>

# HOUSING OPPORTUNITIES ADDITION, INC.

TEXARKANA, ARKANSAS

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2020

<b>NET ASSETS - BALANCE JUNE 30, 2019</b>	\$	84,046
Change in Net Assets		<u>56,152</u>
<b>NET ASSETS - BALANCE JUNE 30, 2020</b>	\$	<u><u>140,198</u></u>



# HOUSING OPPORTUNITIES ADDITION, INC.

TEXARKANA, ARKANSAS

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

### CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	56,152
<b>Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities</b>		
Depreciation		28,328
<b>Decrease (Increase) in</b>		
Accounts Receivable		(106,636)
<b>Increase in</b>		
Accounts Payable		(35,994)
Accrued Liabilities		50,234
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	\$	<u>(7,916)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Note Payable		(9,053)
Principal Payments on Capital Lease Obligation		<u>(10,431)</u>
<b>NET CASH USED BY FINANCING ACTIVITIES</b>		<u>(19,484)</u>
<b>NET DECREASE IN CASH</b>		(27,400)
<b>CASH - BEGINNING OF PERIOD</b>		<u>43,891</u>
<b>CASH - END OF PERIOD</b>	\$	<u>16,491</u>

# HOUSING OPPORTUNITIES ADDITION, INC.

TEXARKANA, ARKANSAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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### 1. ORGANIZATION

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

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### **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 \$28,328 for the year ended June 30, 2020.

#### **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, 2017.

# HOUSING OPPORTUNITIES ADDITION, INC.

TEXARKANA, ARKANSAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### 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.

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### 3. ACCOUNTS RECEIVABLE

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Details of accounts receivable as of June 30, 2020, is as follows:

Medicaid	\$ 156,766
Client	<u>17,864</u>
Total	<u>\$ 174,630</u>

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### 4. PROPERTY PLANT AND EQUIPMENT

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	BALANCE <u>6/30/2019</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	BALANCE <u>6/30/2020</u>
Land and Improvements	\$ 75,999	\$ -	\$ -	\$ 75,999
Buildings	309,435	-	-	309,435
Building Improvements	160,874	-	-	160,874
Equipment	103,177	-	-	103,177
Furniture and Fixtures	40,171	-	-	40,171
Vehicles	45,872	-	-	45,872
Property Held Under a Capital Lease	<u>42,988</u>	<u>-</u>	<u>-</u>	<u>42,988</u>
	778,516	-	-	778,516
Less: Accumulated Depreciation	<u>595,771</u>	<u>28,328</u>	<u>-</u>	<u>624,099</u>
Property, Plant and Equipment Net of Accumulated Depreciation	<u>\$ 182,745</u>	<u>\$ (28,328)</u>	<u>\$ -</u>	<u>\$ 154,417</u>

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### 5. NOTE PAYABLE

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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, 2020 was \$39,930 of which \$8,745 was classified as current.

# HOUSING OPPORTUNITIES ADDITION, INC.

TEXARKANA, ARKANSAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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### 5. NOTE PAYABLE (CONTINUED)

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

Year Ended June 30,	
2021	\$ 8,745
2022	9,953
2023	10,465
2024	<u>10,767</u>
Total	\$ <u><u>39,930</u></u>

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### 6. CAPITAL LEASE

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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 2022 at which time the title for the vehicle will be transferred to the Corporation.

Minimum future lease payments are as follows:

<u>Year Ended June 30,</u>	
2021	\$ 11,532
2022	11,532
2023	<u>3,847</u>
Total Minimum Lease Payments	26,911
	.
Less: Amount Representing Interest	<u>1,107</u>
Present Value of Net Minimum Lease Payments	\$ <u><u>25,804</u></u>

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

Ford Van	\$ 42,988
Less: Accumulated Depreciation	<u>13,255</u>
Net Book Value	\$ <u><u>29,733</u></u>

Depreciation expense relating to the asset under the capital lease was \$8,598 for the year ended June 30, 2020.

# HOUSING OPPORTUNITIES ADDITION, INC.

TEXARKANA, ARKANSAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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### 7. NET ASSETS

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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, 2020. Accordingly, all net assets are considered without donor restrictions.

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### 8. RELATED PARTIES

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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, 2020 TSEC provided day services and management to the Corporation in the amount of \$91,068. Additionally, \$19,875 was payable to TSEC at June 30, 2020.

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### 9. LIQUIDITY AND AVAILABILITY

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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.

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### 10. FUNCTIONAL EXPENSES

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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:

<u>Expense</u>	<u>Method of Allocation</u>
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

# HOUSING OPPORTUNITIES ADDITION, INC.

TEXARKANA, ARKANSAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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### 11. CONTINGENCIES

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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.

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### 12. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

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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.

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### 13. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

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In June 2020 the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), which is a limited deferral of the effective dates of ASU 2014-09, Revenue from Contracts with Customers Topic (606) and ASU 2016-06, Leases (Topic 842). This ASU was issued to provide immediate near term relief for certain entities whom these updates are either currently effective or immediately effective, as a direct result of the COVID-19 pandemic currently impacting the globe. The Corporation would have been required to implement ASU 2014-09 effective July 1, 2019, had they not elected to defer implementation under ASU 2020-05. The Corporation is not required to adopt ASU 2016-06 until fiscal year beginning July 1, 2022. The Corporation is still in the process of evaluating the impact of both ASU 2014-09 and ASU 2016-06.

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### 14. SUBSEQUENT EVENTS

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The Corporation has evaluated subsequent events through October 9, 2020, the date which the financial statements were available to be issued.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Corporation's operations. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Corporation operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Corporation, to date, the Corporation is currently evaluating the effect they expect to experience. The future effects of these issues are unknown.