

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


**Financial Statements and
Supplementary Information
Year Ended June 30, 2020**

TABLE OF CONTENTS


	PAGE
FINANCIAL STATEMENTS	
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF CHANGES IN NET ASSETS	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION REQUIRED BY HUD	
STATEMENT OF CASH FLOW DATA	12
SUPPORTING DATA REQUIRED BY HUD – SCHEDULE 1	13
COMPUTATION OF SURPLUS CASH – SCHEDULE 2	14
CHANGES IN FIXED ASSET ACCOUNTS – SCHEDULE 3	15
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	16
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 <i>GOVERNMENT AUDITING STANDARDS</i>	17
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	19
PROJECT CERTIFICATION	20



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INDEPENDENT AUDITOR'S REPORT

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, 2020, 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, 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.

Other Matters

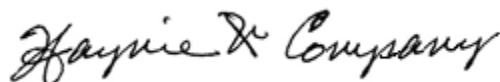
INDEPENDENT AUDITOR'S REPORT (Continued)

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 15 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 25, 2020, 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.



San Antonio, Texas
September 25, 2020

FINANCIAL STATEMENTS

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2020

ASSETS

1120 Cash - Operations	\$	14,488
1145 Accounts Receivable - Entity		<u>4,033</u>
Total Current Assets		<u>18,521</u>

1191 Tenant Deposits Held in Trust		<u>2,533</u>
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FUNDED RESERVES

1320 Replacement Reserve		88,530
1340 Residual Receipts Reserve		<u>47,433</u>
Total Funded Reserves		<u>135,963</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		367,305
1495 Less Accumulated Depreciation		<u>310,844</u>
Net Fixed Assets		<u>56,461</u>

TOTAL ASSETS	\$	<u><u>213,478</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

2110 Accounts Payable - Operations	\$	2,540
2123 Accrued Management Fee Payable		2,605
2131 Accrued Interest Payable - First Mortgage		996
2170 Current Portion of Mortgage Payable - First Mortgage		<u>17,202</u>
Total Current Liabilities		<u>23,343</u>

OTHER LIABILITIES

2191 Tenant Deposits Held in Trust		<u>2,533</u>
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LONG-TERM LIABILITIES

2320 Long-Term Portion of Mortgage Payable - First Mortgage		<u>111,991</u>
Total Long-Term Liabilities		<u>111,991</u>

TOTAL LIABILITIES		<u>137,867</u>
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NET ASSETS

3131 Net Assets Without Donor Restrictions		<u>75,611</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>213,478</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, 2020

REVENUE

RENT REVENUE

5120 Rent Revenue - Gross Potential	\$ 56,279
5121 Tenant Assistance Payments	58,921
Total Gross Rental Revenue	<u>115,200</u>

VACANCIES

5220 Apartment Vacancy Loss	<u>9,910</u>
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Net Rental Revenue	<u>105,290</u>
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FINANCIAL REVENUE

5410 Revenue from Investments - Project Operations	<u>226</u>
Total Financial Revenue	<u>226</u>

TOTAL REVENUE	<u>105,516</u>
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PROJECT EXPENSES

ADMINISTRATIVE EXPENSES

6311 Office Expenses	4,630
6320 Management Fee	5,600
6330 Manager's Salary	5,334
6350 Audit Expense	8,480
6351 Bookkeeping Fees/Accounting Services	1,477
6390 Miscellaneous Administrative Expenses	<u>430</u>
Total Administrative Expenses	<u>25,951</u>

UTILITY EXPENSES

6450 Electricity	5,954
6451 Water	4,057
6452 Gas	<u>1,095</u>
Total Utility Expenses	<u>11,106</u>

OPERATING AND MAINTENANCE EXPENSES

6510 Payroll	1,879
6515 Supplies	13,899
6520 Contracts	2,840
6546 Heating/Cooling Repairs and Maintenance	94
6590 Miscellaneous Operating and Maintenance Expenses	<u>2,446</u>
Total Operating and Maintenance Expenses	<u>\$ 21,158</u>

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2020

TAXES AND INSURANCE

6711 Payroll Taxes	\$ 532
6720 Property and Liability Insurance (Hazard)	8,595
6722 Workmen's Compensation	124
6723 Health Insurance and Other Employee Benefits	690
Total Taxes and Insurance Expense	<u>9,941</u>

FINANCIAL EXPENSES

6820 Interest on Mortgage Payable	<u>13,362</u>
Total Financial Expenses	<u>13,362</u>

TOTAL COST OF OPERATIONS BEFORE DEPRECIATION 81,518

NET OPERATING PROFIT BEFORE DEPRECIATION 23,998

6600 Depreciation Expense 8,105

CHANGE IN NET ASSETS \$ 15,893

Part II

1. Total mortgage principal payments required during the audit year	\$ <u>15,687</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>2,145</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, 2020

S1100-060 NET ASSETS - BALANCE JUNE 30, 2019	\$	59,718
3247 Change in Net Assets		<u>15,893</u>
3130 NET ASSETS - BALANCE JUNE 30, 2020	\$	<u><u>75,611</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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Rental Receipts	\$ 107,659
Interest Receipts	226
Total Receipts	<u>107,885</u>
Administrative Expenses	(19,196)
Management Fees	(5,600)
Utilities	(11,106)
Salaries and Wages	(1,879)
Operating and Maintenance	(20,152)
Property Insurance	(8,595)
Miscellaneous Taxes & Insurance	(1,346)
Tenant Security Deposits	2
Interest on Mortgage Payable	(13,483)
Total Disbursements	<u>(81,355)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>26,530</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Mortgage Principal Payments	<u>(15,688)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(15,688)</u>
NET INCREASE IN CASH	10,842
CASH - BEGINNING OF PERIOD	<u>142,142</u>
CASH - END OF PERIOD	<u><u>\$ 152,984</u></u>
BALANCE SHEET CAPTIONS:	
1120 Cash - Operations	\$ 14,488
1191 Tenant Deposits Held in Trust	2,533
1320 Replacement Reserve	88,530
1340 Residual Receipts Reserve	47,433
	<u><u>\$ 152,984</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, 2020

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 \$8,105 for the year ended June 30, 2020.

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, 2017.

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

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

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, 2020 was \$129,193 of which \$17,202 was classified as current.

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

2021	\$ 17,202
2022	18,863
2023	20,683
2024	22,680
2025	24,869
Thereafter	<u>24,896</u>
TOTAL	<u>\$ 129,193</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. The Project is also required to maintain a residual receipts reserve for various HUD approved project related purposes. HUD-replacement reserve deposits and residual receipts reserve deposits, which total \$88,530 and \$47,433, respectively at June 30, 2020, 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, 2020

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, 2020 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, 2020 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. As of March 1, 2020 the fee was increased to 6.34%. Total management fees for the year ended June 30, 2020 were \$5,600. Additionally, \$2,605 was payable to Texarkana Special Education Center, Inc. at June 30, 2020.

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:

Program Services:		
Administrative	\$	9,964
Utilities		11,106
Operating & Maintenance		21,158
Taxes & Insurance		9,941
Depreciation		8,105
	Total \$	<u>60,274</u>
Management & General Services:		
Administrative	\$	15,987
Financial Expenses		13,362
	Total \$	<u>29,349</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, 2020

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 STANDARDS

In 2020 the Project adopted Topic 230 Statement of Cash Flows - Restricted Cash. The new guidance requires including restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows (see Statements of Cash Flows pg. 7). Disclosure of the nature of restrictions on cash is also required (see Note 2 for disclosure of these restrictions). The retrospective application of the change resulted in an increase of \$99,666 to the July 1, 2019 cash and cash equivalents, as reported in the statement of cash flows. This change did not affect previously reported change in net assets and total assets.

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 Project 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 Project is not required to adopt ASU 2016-06 until fiscal year beginning July 1, 2022. The Project is still in the process of evaluating the impact of both ASU 2014-09 and ASU 2016-06.

12. SUBSEQUENT EVENTS

The Project has evaluated subsequent events through September 25, 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 Project's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenants' ability to pay the required monthly rent. Operating functions that may be changed include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown.

SUPPLEMENTARY INFORMATION REQUIRED BY HUD

HOUSING OPPORTUNITIES EXTENSION, INC.

TEXARKANA, ARKANSAS

HUD PROJECT NO. 082-EH140-NP-L8

STATEMENT OF CASH FLOW DATA FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

S1200-010	Rental Receipts	\$	107,659
S1200-020	Interest Receipts		<u>226</u>
S1200-040	Total Receipts		<u>107,885</u>
S1200-050	Administrative Expenses		(19,196)
S1200-070	Management Fees		(5,600)
S1200-090	Utilities		(11,106)
S1200-100	Salaries and Wages		(1,879)
S1200-110	Operating and Maintenance		(20,152)
S1200-140	Property Insurance		(8,595)
S1200-150	Miscellaneous Taxes & Insurance		(1,346)
S1200-180	Interest on Mortgage Payable		<u>(13,483)</u>
S1200-230	Total Disbursements		<u>(81,357)</u>
S1200-240	NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>26,528</u>

CASH FLOWS FROM INVESTING ACTIVITIES

S1200-250	Net (Deposits to) Payments from Replacement Reserve		(2,237)
S1200-260	Net (Deposit to) Payments from Residual Receipts Reserve		<u>(47,433)</u>
S1200-350	NET CASH USED BY INVESTING ACTIVITIES		<u>(49,670)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

S1200-360	Mortgage Principal Payments		<u>(15,688)</u>
S1200-460	NET CASH USED BY FINANCING ACTIVITIES		<u>(15,688)</u>
S1200-470	NET DECREASE IN CASH		(38,830)
S1200-480	CASH - BEGINNING OF PERIOD		<u>53,318</u>
S1200T	CASH - END OF PERIOD	\$	<u>14,488</u>

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, 2020**

SCHEDULE 1

REPLACEMENT RESERVE

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

1320P	Balance – June 30, 2019	\$	86,293
1320DT	Required Monthly Deposits		2,145
1320INT	Interest Income		<u>92</u>
			88,530
1320	BALANCE CONFIRMED BY MORTGAGEE	\$	<u>88,530</u>

RESIDUAL RECEIPTS

In accordance with the provisions of the Regulatory Agreement, surplus cash is to be deposited in a residual receipts account and its use must be approved by HUD, as follows:

1340P	Balance – June 30, 2019	\$	-
1340DT	Total Deposits		47,338
1340INT	Interest Income		<u>95</u>
			47,433
1340	BALANCE AT END OF FISCAL YEAR	\$	<u>47,433</u>

DETAIL OF ACCOUNTS

6590 Miscellaneous Operating and Maintenance Expenses:

Equipment Rental	\$	1,437
Miscellaneous		<u>1,009</u>
Total	\$	<u>2,446</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, 2020**

SCHEDULE 2

COMPUTATION OF SURPLUS CASH – AS OF JUNE 30, 2020

CASH

S1300-010 Cash	<u>\$ 17,021</u>
S1300-040 Total Cash	<u>\$ 17,021</u>

CURRENT OBLIGATIONS

S1300-050 Accrued Mortgage Interest Payable	\$ 996
S1300-075 Accounts Payable (Due Within 30 Days)	2,540
S1300-100 Accrued Expenses	2,605
2191 Tenant Security Deposits and Interest Liability	<u>2,533</u>
S1300-140 Total Current Obligations	<u>8,674</u>

S1300-150 SURPLUS CASH	<u>\$ 8,347</u>
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S1300-210 DEPOSIT DUE TO RESIDUAL RECEIPTS	<u>\$ 8,347</u>
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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, 2020**

SCHEDULE 3

	COST			ACCUMULATED DEPRECIATION					NET BOOK VALUE
	BALANCE	ADDITIONS	DEDUCTIONS	BALANCE	BALANCE	ADDITIONS	DEDUCTIONS	BALANCE	06-30-20
	06-30-19			06-30-20	06-30-19			06-30-20	
1410 Land	\$ 16,263	\$ -	\$ -	\$ 16,263	\$ 2,552	\$ -	\$ -	\$ 2,552	\$ 13,711
1420 Buildings	323,506	-	-	323,506	272,651	8,105	-	280,756	42,750
1440 Building Equipment – Portable	11,656	-	-	11,656	11,656	-	-	11,656	-
1465 Office Furniture and Equipment	4,494	-	-	4,494	4,494	-	-	4,494	-
1470 Maintenance Equipment	1,602	-	-	1,602	1,602	-	-	1,602	-
1490 Miscellaneous Fixed Assets	9,784	-	-	9,784	9,784	-	-	9,784	-
	<u>\$ 367,305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,305</u>	<u>\$ 302,739</u>	<u>\$ 8,105</u>	<u>\$ -</u>	<u>\$ 310,844</u>	<u>\$ 56,461</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, 2020**

<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	\$ 144,881
Housing Assistance Payment Program	14.195	<u>58,921</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u><u>203,802</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, 2020 was \$129,193.



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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***

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, 2020, 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 25, 2020.

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*
(CONTINUED)**

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 & Company

San Antonio, Texas
September 25, 2020

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, 2020**

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, 2020**

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 25, 2020

By: _____
President, Board of Directors
September 25, 2020

By: _____
Treasurer, Board of Directors
September 25, 2020