

HOUSING UNLIMITED, INC.

FINANCIAL STATEMENTS

September 30, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Housing Unlimited, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Housing Unlimited, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Housing Unlimited, Inc. as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Housing Unlimited, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Housing Unlimited, Inc. as of September 30, 2022 were audited by auditors whose report dated February 13, 2023 expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Housing Unlimited, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the

aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Housing Unlimited, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Housing Unlimited, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 schedule of expenditures of federal awards 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 March 20, 2024 on our consideration of Housing Unlimited, Inc.'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 those reports is solely 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 Housing Unlimited, Inc.'s internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Unlimited, Inc.'s internal control over financial reporting and compliance.



Bethesda, MD

March 20, 2024

HOUSING UNLIMITED, INC.

STATEMENTS OF FINANCIAL POSITION
September 30, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - operating	\$ 880,864	\$ 744,532
Cash and cash equivalents - revolving loan fund	112	379,460
Cash and cash equivalents - board designated	36	939,139
Investments - board designated	462,133	-
Investments - revolving loan fund	394,946	-
Accounts receivable - tenants	62,019	58,331
Accounts receivable - other	16,436	21,309
Prepaid expenses	1,486	-
Total current assets	1,818,032	2,142,771
RESTRICTED CASH AND RESERVES		
Tenant security deposits	100,649	144,773
Cash and cash equivalents - reserve for replacement	108,786	108,757
Total restricted cash and reserves	209,435	253,530
PROPERTY AND EQUIPMENT, at cost		
Land	4,584,119	4,314,877
Buildings	15,404,818	14,025,632
Leasehold improvements	23,205	23,206
Furniture and fixtures	726,805	666,486
Vehicles	32,034	32,034
Total property and equipment	20,770,981	19,062,235
Less: accumulated depreciation	6,511,766	5,908,772
Net property and equipment	14,259,215	13,153,463
OTHER ASSETS		
Certificates of deposit - reserve for replacement	127,432	127,106
Escrow - reserve for replacement	195,285	178,784
Investments - reserve for replacement	69,230	63,372
Office security deposit	4,553	4,553
Right of use asset	130,597	-
Total other assets	527,097	373,815
	\$ 16,813,779	\$ 15,923,579

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 190,467	\$ 181,357
Acquisition line of credit	442,400	-
Accounts payable - operations	54,952	31,682
Credit card payable	9,321	-
Accrued vacation	13,650	-
Retirement plan payable	4,256	3,031
Lease obligations, current	58,594	-
Accrued interest	11,141	14,024
Rent paid in advance	63,189	71,245
Total current liabilities	847,970	301,339
LONG-TERM LIABILITIES		
Tenant security deposits	100,649	85,887
Acquisition line of credit	-	442,400
Long-term debt, net of current maturities	5,248,843	4,885,053
Lease obligations, non-current	72,003	-
Total long-term liabilities	5,421,495	5,413,340
Total liabilities	6,269,465	5,714,679
NET ASSETS		
Without donor restrictions		
Undesignated	9,776,697	8,970,526
Board designated	767,617	1,238,374
Total net assets	10,544,314	10,208,900
	<u>\$ 16,813,779</u>	<u>\$ 15,923,579</u>

The Notes to Financial Statements are an integral part of these statements.

HOUSING UNLIMITED, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
RENTAL INCOME			
Tenants	\$ 1,355,128	\$ -	\$ 1,355,128
County subsidies	746,834	-	746,834
Less: vacancies	(282,420)	-	(282,420)
Total revenue	1,819,542	-	1,819,542
CONTRIBUTIONS			
Corporations and foundations	300,854	-	300,854
Individuals	194,432	-	194,432
Government grants - operating	174,913	-	174,913
Government grants - acquisitions and renovations	721,672	-	721,672
Donated goods and services	2,450	-	2,450
Total contributions	1,394,321	-	1,394,321
Total support and revenue	3,213,863	-	3,213,863
EXPENSES			
Program services	2,642,973	-	2,642,973
General and administrative	123,420	-	123,420
Fundraising	157,164	-	157,164
Total expenses	2,923,557	-	2,923,557
OTHER REVENUE AND EXPENSES			
Dividend income	39,553	-	39,553
Interest income	2,397	-	2,397
Gain (loss) on investment	3,158	-	3,158
Total other revenue and expenses	45,108	-	45,108
Change in net assets	335,414	-	335,414
Net assets at beginning of year	10,208,900	-	10,208,900
Net assets at end of year	\$ 10,544,314	\$ -	\$ 10,544,314

The Notes to Financial Statements are an integral part of these statements.

HOUSING UNLIMITED, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
RENTAL INCOME			
Tenants	\$ 1,261,362	\$ -	\$ 1,261,362
County Subsidies	674,400	-	674,400
Less: Vacancies	(278,707)	-	(278,707)
Total revenue	1,657,055	-	1,657,055
CONTRIBUTIONS			
Corporations and foundations	394,145	-	394,145
Individuals	117,029	-	117,029
Government grants - operating	122,500	-	122,500
Government grants - acquisitions and renovations	611,309	-	611,309
Government grants - forgiveness of debt	73,117	-	73,117
Donated goods and services	1,437	-	1,437
Total contributions	1,319,537	-	1,319,537
Total support and revenue	2,976,592	-	2,976,592
EXPENSES			
Program services	2,508,535	-	2,508,535
General and administrative	189,038	-	189,038
Fundraising	148,126	-	148,126
Total expenses	2,845,699	-	2,845,699
OTHER REVENUE AND EXPENSES			
Dividend Income	421	-	421
Miscellaneous income	7,599	-	7,599
Gain (loss) on investment	(223,844)	-	(223,844)
Total other revenue and expenses	(215,824)	-	(215,824)
Change in net assets	(84,931)	-	(84,931)
Net assets at beginning of year	10,293,831	-	10,293,831
Net assets at end of year	\$ 10,208,900	\$ -	\$ 10,208,900

The Notes to Financial Statements are an integral part of these statements.

HOUSING UNLIMITED, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2023

	Program services			General and administrative	Fundraising	Total expenses
	Residential housing	Public education	Total			
Applicant check	\$ 2,283	\$ -	\$ 2,283	\$ -	\$ -	\$ 2,283
Bad debt	24,765	-	24,765	-	-	24,765
Consultant	-	-	-	-	73,652	73,652
Depreciation	602,993	-	602,993	-	-	602,993
Fringe benefits	80,439	988	81,427	5,590	4,122	91,139
Fundraising - events	-	-	-	-	19,310	19,310
Homeowner association fee	282,305	-	282,305	-	-	282,305
Inspections	6,274	-	6,274	-	-	6,274
Insurance	75,501	928	76,429	5,247	3,868	85,544
Interest	24,480	-	24,480	-	-	24,480
Licenses	7,916	-	7,916	-	-	7,916
Memberships	-	-	-	1,733	-	1,733
Financial	10,165	-	10,165	-	-	10,165
Office expenses	51,410	631	52,041	3,573	2,635	58,249
Lease expense	55,896	687	56,583	3,884	2,864	63,331
Payroll taxes	67,415	828	68,243	4,685	3,455	76,383
Professional fees	-	-	-	34,630	-	34,630
Public education material	-	10,964	10,964	-	-	10,964
Repairs - homes	147,850	-	147,850	-	-	147,850
Salaries	883,760	10,856	894,616	61,411	45,291	1,001,318
Telephone - homes	43,237	-	43,237	-	-	43,237
Telephone - office	14,454	178	14,632	1,004	741	16,377
Tenant contractors	676	-	676	-	-	676
Tenant council	9,449	-	9,449	-	-	9,449
Training	728	9	737	51	37	825
Travel	23,198	285	23,483	1,612	1,189	26,284
Utilities	201,425	-	201,425	-	-	201,425
	<u>\$ 2,616,619</u>	<u>\$ 26,354</u>	<u>\$ 2,642,973</u>	<u>\$ 123,420</u>	<u>\$ 157,164</u>	<u>\$ 2,923,557</u>

The Notes to Financial Statements are an integral part of these statements.

HOUSING UNLIMITED, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2022

	Program services			General and administrative	Fundraising	Total expenses
	Residential housing	Public education	Total			
Applicant check	\$ 2,588	\$ -	\$ 2,588	\$ -	\$ -	\$ 2,588
Bad debt	48,736	-	48,736	-	-	48,736
Consultant	2,359	-	2,359	3,500	71,250	77,109
Depreciation	587,590	-	587,590	-	-	587,590
Fringe benefits	115,051	2,217	117,268	12,431	5,641	135,340
Fundraising - events	-	-	-	-	19,906	19,906
Homeowner association fee	259,650	-	259,650	-	-	259,650
Inspections	2,199	-	2,199	-	-	2,199
Insurance	66,992	1,291	68,283	7,238	3,284	78,805
Interest	19,413	-	19,413	-	-	19,413
Licenses	7,082	-	7,082	-	-	7,082
Memberships	-	-	-	4,579	-	4,579
Financial	23,197	-	23,197	-	-	23,197
Office expenses	54,040	1,042	55,082	5,840	2,650	63,572
Office rent	53,837	1,038	54,875	5,816	2,640	63,331
Payroll taxes	57,982	1,117	59,099	6,265	2,843	68,207
Professional fees	-	-	-	55,413	-	55,413
Public education material	-	7,935	7,935	-	-	7,935
Repairs - homes	127,571	-	127,571	-	-	127,571
Salaries	778,768	15,008	793,776	84,143	38,182	916,101
Telephone - homes	40,708	-	40,708	-	-	40,708
Telephone - office	12,326	238	12,564	1,332	604	14,500
Tenant contractors	802	-	802	-	-	802
Tenant council	158	-	158	-	-	158
Training	408	8	416	44	20	480
Travel	22,043	435	22,478	2,437	1,106	26,021
Utilities	194,706	-	194,706	-	-	194,706
	<u>\$ 2,478,206</u>	<u>\$ 30,329</u>	<u>\$ 2,508,535</u>	<u>\$ 189,038</u>	<u>\$ 148,126</u>	<u>\$ 2,845,699</u>

The Notes to Financial Statements are an integral part of these statements.

HOUSING UNLIMITED, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 335,414	\$ (84,931)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	602,993	587,590
Operating lease right-of-use asset amortization	63,331	-
Payments to settle operating lease liability	(63,331)	-
Gain(loss) on investment	(3,158)	273,881
Forgiveness of debt	-	(73,117)
Bad debt	24,765	48,736
(Increase) Decrease in:		
Accounts receivable - tenants	(28,453)	(45,348)
Accounts receivable - other	4,873	(751)
Prepaid expenses	(1,486)	-
Escrow - reserve for replacement	(16,501)	(4,080)
Increase (Decrease) in:		
Accounts payable - operations	23,270	22,535
Credit card payable	9,321	-
Accrued vacation	13,650	-
Retirement plan payable	1,225	182
Accrued interest	(2,882)	2,291
Rent paid in advance	(8,056)	42,736
Tenant security deposits	14,762	1,823
Net cash provided by operating activities	969,737	771,547
Cash flows from investing activities		
Purchases of property and equipment	(1,708,747)	(484,025)
Purchases of certificates of deposit	(326)	(137)
Sales of investments	1,434,620	1,998,443
Purchases of investments	(2,294,399)	(1,386,436)
Net cash provided by (used in) investing activities	(2,568,852)	127,845
Cash flows from financing activities		
Proceeds from long-term debt	508,610	387,236
Principal payments on long-term debt	(135,709)	(105,388)
Net cash provided by financing activities	372,901	281,848
Net increase (decrease) in cash and cash equivalents	(1,226,214)	1,181,240
Cash and cash equivalents, beginning of year	2,316,661	1,135,421
Cash and cash equivalents, end of year	\$ 1,090,447	\$ 2,316,661
Cash paid for interest	20,736	18,970

The Notes to Financial Statements are an integral part of these statements.

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 1 Summary of significant accounting policies

Organization

Housing Unlimited, Inc. (the Company), a non-profit organization, was incorporated in the State of Maryland in 1991. The Company's mission is to provide housing to adults in mental health recovery. Goals of the Company are to purchase residential housing and to provide housing to individuals at affordable rental rates. The Company receives grants and contributions from individuals, companies, foundations, and governments, as well as low-interest loans from county and state agencies.

Nature of activities

The Company's programs involve residential housing and public education. The Company operates 90 properties, which can serve up to 247 tenants throughout Montgomery County, Maryland. As of September 30, 2023, the Company was providing housing to 214 tenants. Tenants pay rent based on a fixed percentage of their income, and receive intensive property management support from Housing Unlimited, Inc. This support does not include medical, psychiatric, or vocational training services.

Basis of accounting

The accompanying financial statements are presented on the accrual basis of accounting.

Basis of presentation

Housing Unlimited, Inc. complies with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for Profit Entities*. Net assets, gains and losses are classified based on whether the donor has imposed restrictions on their donations.

The Company reports information regarding its financial position and activities to the following two classes of net assets in accordance with Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*:

Net assets without donor restrictions: Net assets without restrictions are made up of funds available to support Company operations, upon which there have been no restrictions placed. All net assets as of September 30, 2023 and 2022 are without donor restrictions.

Net assets with donor restrictions: Net assets with donor restrictions consist of contributions upon which restrictions have been placed by the donor. These can be funds designated for a specific purpose or to be held for a set amount of time, including funds to be maintained in perpetuity that permit the Client to spend part of all of the donation for a specified or unspecified purpose.

Net assets without donor restrictions increases with contributions and revenue recognized if the donor imposes no limitations on the assets. Net assets without donor restrictions decreases with all expenses incurred. When a donor-imposed restriction expires, the net assets are reported as reclassifications between classes of net assets. When the restrictions on contributions are met in the same time period that the contribution is received, the contribution is reported in the statement of activities as without donor restrictions. Program service expenses must be separated from general and administrative expenses and fundraising expenses.

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 1 Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents are considered to be cash and temporary investments with original maturities of three months or less.

Cash and investments

Cash and investments are categorized as unrestricted and may include board-designated amounts for a specific purpose, or restricted. Unrestricted cash held by the properties is generally not available for corporate purposes, but is instead limited for use within the individual properties.

Credit and financial risk

Substantially all of the promises to give are derived from donors. All of these promises are made on an unsecured basis. Historically, Housing Unlimited, Inc. has not incurred significant credit related losses.

Housing Unlimited, Inc. maintains its cash in several accounts at various financial institutions, which, at times, may exceed federally insured limits. At September 30, 2023, the Federal Deposit Insurance Corporation (FDIC) fully guaranteed accounts up to \$250,000. The Company has not had any losses related to bank balances in excess of government provided insurance. At September 30, 2023 and 2022, Housing Unlimited, Inc. had \$275,453 and \$1,068,599, respectively, in excess of FDIC insured limits.

Accounts receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free rates applicable to the years in which the promises are received. Amortization of the discount is recorded as additional contribution revenue.

When the Company deems a Tenant Receivable to be uncollectible, it will be charged to bad debt expense. Management reviews accounts periodically to determine collectability. The Company is currently using the direct write-off method when recognizing bad debt. Although the allowance method is currently required by accounting principles generally accepted in the United States of America, the effect of using the direct write-off method does not produce a material difference from the outcome under the allowance method.

Investments

Investments with readily determinable fair values are reflected at fair market value. Income from interest and dividends is recognized when it is earned. Marketable securities is made up of equity and fixed income mutual funds. The Company's marketable securities are available-for-sale securities carried at fair value based on quoted market prices (Level 1) at the date nearest the end of the fiscal year. Unrealized investment gains and losses are reported on the accompanying statements of activities and changes in net assets.

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 1 Summary of significant accounting policies (continued)

Certificates of deposit

The Company is invested in certificates of deposit (CDs), which are carried at cost, can be redeemed with a penalty, and bear interest between 0.01% and 0.25%. Carrying these CDs at cost approximates the fair value. The CDs mature between 3 and 18 months.

Property and equipment

The Company capitalizes property and equipment over \$2,500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are capitalized at their estimated fair value at the date contributed. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives. Depreciation expense for the years ended September 30, 2023 and 2022 were \$602,993 and \$587,590, respectively. The estimated useful lives of property and equipment are as follows:

Buildings	27-40 years
Furniture	7-28 years
Vehicles	5 years
Leasehold improvements	7-15 years

Some land and building assets are restricted based on the terms of the loan agreement associated with the purchase of the asset. These restrictions require the Company to hold the assets and rent the space to qualifying tenants for a specified amount of time before they are able to sell it.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances that indicate the carrying amount may no longer be recoverable. If carrying amount exceeds the fair value of the asset, the Company recognizes an impairment loss for the difference. During the years ended September 30, 2023 and 2022, there were no asset impairments.

Revenue recognition

Housing Unlimited, Inc. earns revenue from charitable donations, grants and rent.

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 1 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Charitable donations are categorized by donor into three categories: corporations, foundations, and individuals. Any donation or grant is categorized under contributions rather than contracts, as the donor or grantor does not receive any commensurate value. Donations and grants received that are unconditional are recognized as revenue in the year in which they are received. Contribution revenue is recognized at the earlier of receipt of cash or when pledged. Donations and grants can come either with or without donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the terms of the restriction are met. See the basis of presentation section for more information.

Rental income is recognized on the due date of rent payments. Prepaid rents received are deferred until the date rent is earned. All leases between the Company and their tenants are operating leases.

Contributed goods and services

Gifts of non-cash assets are recorded as in-kind contributions, which are valued at the fair value of the asset, net of any obligations incurred. In accordance with ASC 958-605, the Company recognizes revenue and expenses for in-kind contributions if the services meet the following criteria: (1) the services would typically be purchased by the Company if the services had not been donated, (2) the services require specialized skills, and (3) the individual providing the service has those specialized skills. Non-cash gifts totaled \$2,450 and \$1,437, respectively, for the years ended September 30, 2023 and 2022. These are included in the donated goods and services section of the accompanying statements of activities and changes in net assets.

Several unpaid volunteers contributed their time to aid the Company in achieving their goals for the audit years. This time is not recognized on the financial statements, as it does not meet the criteria outlined above.

Functional expenses

Functional expenses have been allocated between program services, general and administrative, and fundraising functions. If an expense can be directly attributed to one of the functional activities, it will be reported as such. Expenses that cannot be attributed to one of the functional activities are allocated based on the percentage of time spent working by employees on the activity.

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 1 Summary of significant accounting policies (continued)

Grant revenue

Grant revenue contains income from Community Development Block Grants (CDBG) and Home Investment Partnerships Program Loans (HOME). They can only be used to acquire and rehabilitate homes owned by the Company for adults with mental illness. The Company also receives a grant from Montgomery County, which is related to program services and administrative expenses. This is a cost-reimbursable grant, under which the Company must meet certain performance requirements. Amounts received are recognized as revenue when the expenditures are incurred, in compliance with grant provisions. Expenses incurred exceeding cash received are recorded to grants receivable until funds are received.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leases

Under ASU 2016-02 – *Leases*, a lease is a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (the underlying asset) for a period of time in exchange for consideration. The Company has recognized lease assets and liabilities, with certain exceptions, on the statements of financial position. Both financing leases and operating leases create an asset (right-of-use or ROU asset) and a liability measured at the present value of the lease payments that are reflected in the accompanying statements of financial position. Short-term leases with terms of one year or less, that do not include an option to purchase the underlying asset, are not included in the measurement of lease assets and liabilities. The Company does not have any existing leases that are classified as financing leases.

During the audit year, the Company adopted Accounting Standards Update (“ASU”) 2016-02 – Leases (Topic 842). Topic 842 establishes the principles that lessees and lessors shall report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease by increasing transparency and comparability by recognizing lease assets and lease liabilities on the balance sheet. As permitted by ASU 2016-02, the Company elected to apply the provisions retrospectively as of the date of adoption October 1, 2022. There was no impact to beginning retained earnings at October 1, 2022.

Leases with tenants are recorded as operating leases. Rental income includes base rent paid by each tenant in accordance with the lease terms and is reported on a straight-line basis over the term of the lease. Rental income also includes income from the Rental Assistance Program (RAP) and Housing Opportunities Commission (HOC), which supplement rental payments for low-income tenants.

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 1 Summary of significant accounting policies (continued)

Leases (continued)

Collectability of rents due to the Company is evaluated periodically, and rents that are considered uncollectable are adjusted to reflect the change in revenue and receivable. These adjustments are included in bad debt on the statements of functional expenses. The Company exercises judgment when considering the probability of collection based on payment history and credit status.

Advertising policy

Advertising costs are expensed as incurred. Total advertising costs were \$0 for the years ended September 30, 2023 and 2022.

Cost allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort.

Licenses

Licenses are expensed as incurred. Some license expenses may cover a period that runs until after the end of the fiscal year, the Company has chosen to expense these as incurred rather than record the prepaid portion as a current asset. The difference between the two methods is immaterial.

Public education materials

Expenses in public education materials include web design. The Company has historically expensed payments for web design, rather than capitalizing the amounts. The difference between the two methods is immaterial.

Developer fees

Montgomery County provides loans to Housing Unlimited, Inc. to assist the Company with the financing of new homes. The County has deemed a modest developer fee paid to the Company as an appropriate use of its County loan funds. The developer fee recognizes the staff time and risk taken by the Company in regard to predevelopment and development activities leading up to the acquisition of a new home. The developer fee equals 5% of the capital costs of the project and is typically between \$10,000 and \$15,000.

Restricted cash

The Company receives funds subject to restrictions that are included in restricted cash. At September 30, 2023 and 2022, total restricted cash and reserves were \$209,435 and \$253,530, respectively.

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 1 Summary of significant accounting policies (continued)

Tenant subsidy receipts

The company receives a portion of its rental income in the form of subsidy payments from RAP and HOC. Tenants are subsidized based on their percentage of income compared to the area average. Rent increases must be approved by the applicable agency.

Reclassifications

Reclassifications have been made to prior year balances to conform to current year presentation.

Subsequent events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the report date, the date the financial statements were available to be issued. See Note 22 for disclosure on subsequent events.

Note 2 Cash and cash equivalents

The following made up cash and cash equivalents as of September 30, 2023 and 2022, respectively:

	2023	2022
Unrestricted cash and cash equivalents		
Cash and cash equivalents - operating	\$ 880,864	\$ 744,532
Cash and cash equivalents – revolving loan fund	112	379,460
Cash and cash equivalents – board designated	36	939,139
Total unrestricted cash and cash equivalents	881,012	2,063,131
Restricted cash and cash equivalents		
Tenant security deposits	100,649	144,773
Cash and cash equivalents – reserve for replacement	108,786	108,757
Total restricted cash and cash equivalents	209,435	253,530
Total cash and cash equivalents	<u>\$ 1,090,447</u>	<u>\$ 2,316,661</u>

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS September 30, 2023 and 2022

Note 3 Availability of financial assets

The following reflects Housing Unlimited, Inc.'s financial assets as of the date of financial position, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2023	2022
Financial assets, at year end	\$ 1,738,091	\$ 2,063,131
Accounts receivable – tenants	62,019	58,331
Accounts receivable – other	16,436	21,309
Prepaid expenses	1,486	-
Less: board designated net assets	(462,169)	(939,139)
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 1,355,863</u>	<u>\$ 1,203,652</u>

Amounts related to restricted deposits and funded reserves anticipated to be used more than one year after the date of financial position have been excluded from the above amounts.

As part of the Company's liquidity management, it invests cash in short-term investments, typically mutual funds (investments are only in obligations of the US Treasury) and certificates of deposit.

Note 4 Fair value measurements

The Company has elected the fair value option to (1) reduce the volatility in earnings related to certain financial assets and liabilities, (2) align with the manner that certain financial instruments are risk-managed, and (3) to eliminate the need to apply hedge accounting under FASB ASC 815 for certain items. All items within each group are eligible for the fair value option and the fair value option has been elected for all items within each group of financial assets and financial liabilities.

The Company measures fair value based on the price that the Company would receive upon selling an asset or paying to transfer a liability in an orderly transaction between market participants at the measurement date. Various inputs are used in determining the fair value of assets or liabilities. Inputs are classified into a three-tier hierarchy, summarized as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities
- Level 2 – Other significant observable inputs
- Level 3 – Significant unobservable inputs

When Level 1 inputs are not available, the Company measures fair value using valuation techniques that maximize the use of relevant observable inputs (Level 2) and minimizes the use of unobservable inputs (Level 3).

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 4 Fair value measurements (continued)

The carrying amounts reflected in the balance sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate the respective fair values due to the short maturities of those instruments.

Fair values of assets and liabilities measured on a recurring basis as of September 30, 2023 are as follows:

		Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Mutual funds:				
Treasury investments				
Investments – board designated	\$ 462,133	\$ 462,133	\$ -	\$ -
Investments – revolving loan fund	394,946	394,946	-	-
Investments – reserve for replacement	69,230	69,230	-	-
Certificates of deposit – reserve for replacement	<u>127,432</u>	<u>-</u>	<u>127,432</u>	<u>-</u>
	<u>\$ 1,053,741</u>	<u>\$ 926,309</u>	<u>\$ 127,432</u>	<u>\$ -</u>

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 4 Fair value measurements (continued)

Fair values of assets and liabilities measured on a recurring basis as of September 30, 2022 are as follows:

		Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Mutual funds:				
Treasury investments	\$ 525	\$ 525	\$ -	\$ -
Intermediate-term bonds	43,863	43,863	-	-
Emerging markets bonds	1,151	1,151	-	-
Multisector bonds	6,046	6,046	-	-
Large blend	7,188	7,188	-	-
Mid-cap growth	3,484	3,484	-	-
Large growth	1,115	1,115	-	-
Certificates of deposit – reserve for replacement	<u>127,106</u>	<u>-</u>	<u>127,106</u>	<u>-</u>
	<u>\$ 190,478</u>	<u>\$ 63,372</u>	<u>\$ 127,106</u>	<u>\$ -</u>

Note 5 Marketable equity securities

The cost and fair value of marketable equity securities at September 30, 2023 is as follows:

	Cost	Net unrealized gains (losses)	Fair Market Value
Marketable equity securities:			
Mutual funds	\$ 926,309	\$ -	\$ 926,309
Certificates of deposit	<u>127,432</u>	<u>-</u>	<u>127,432</u>
	<u>\$ 1,053,741</u>	<u>\$ -</u>	<u>\$ 1,053,741</u>

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 5 Marketable equity securities (continued)

The cost and fair value of marketable equity securities at September 30, 2022 is as follows:

	Cost	Net unrealized gains (losses)	Fair Market Value
Marketable equity securities:			
Mutual funds	\$ 83,416	\$ (20,044)	\$ 63,372
Certificates of deposit	127,106	-	127,106
	<u>\$ 210,522</u>	<u>\$ (20,044)</u>	<u>\$ 190,478</u>

Note 6 Concentration of investments

The Company maintains its balances in a brokerage institution, which at times may exceed the Securities Investor Protection Corporation limits up to \$500,000 for balances (with a limit of \$250,000 for cash). The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and securities.

Note 7 Accounts receivable

At September 30, 2023 and 2022, accounts receivable consisted of the following:

	2023	2022
Accounts receivable – tenants	\$ 62,019	\$ 58,331
Accounts receivable – other	16,436	21,309
	<u>\$ 78,455</u>	<u>\$ 79,640</u>

At September 30, 2023 and 2022, the Company had \$31,959 and \$17,301, respectively, of accounts receivable that were over 90 days old.

At September 30, 2023 and 2022, the Company had \$0 of account receivable from related parties.

At September 30, 2021, the Company had \$61,719 of accounts receivable – tenants and \$20,558 of accounts receivable – other, for a total of \$82,777.

Note 8 Escrow and reserves for replacement

Per the terms of certain mortgages with the Maryland Department of Housing and Community Development (DCHD), the Company is required to make monthly deposits to reserve for replacement accounts held by the DCHD. Balances in these replacement reserve accounts totaled \$195,285 and \$178,784 for the years ended September 30, 2023 and 2022, respectively and are classified as escrow – reserve for replacement on the accompanying statements of financial position.

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 8 Escrow and reserves for replacement (continued)

Discretionary reserves for replacement accounts were created to hold additional funds for required repairs, and consist of cash, CDs, and investments. No lender restrictions are placed on these reserves. As of September 30, 2023 and 2022, discretionary reserves for replacement balances totaled \$305,448 and \$299,235, respectively. As of September 30, 2023 and 2022, the discretionary reserve for replacements were comprised of \$108,786 and \$108,757, respectively, of cash and are classified as cash and cash equivalents – reserve for replacement on the accompanying statements of financial position, \$69,230 and \$63,372, respectively, of investments and are classified as investments – reserve for replacements on the accompanying statements of financial position and \$127,432 and \$127,106, respectively, of CDs and are classified as certificates of deposit – reserve for replacement on the accompanying statements of financial position.

Note 9 Lease commitments

During the year ended September 30, 2023, the Company adopted the new Accounting Standard Update (ASU) 2016-02, Leases (Topic 842) for leases. The new standard defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment (the underlying asset) for a period of time in exchange for consideration.

Under the new standard, the Company has recognized lease assets and liabilities, with certain exceptions, on the statements of financial position. Both financing leases and operating leases create an asset (right-of-use or ROU asset) and a liability measured at the present value of the lease payments that are reflected in the accompanying statements of financial position. Short-term leases with terms of one year or less, that do not include an option to purchase the underlying asset, are not included in the measurement of lease assets and liabilities.

The Company assessed whether any expired or existing contracts are or contain leases. The lease classification was also assessed to determine whether there were any expired or existing leases classified as operating leases. The Company does not have any existing leases that were classified as capital leases, and accordingly, does not have any leases that will now be classified as financing leases.

The Company made an accounting policy election, as a non-public business entity, to use a risk-free discount rate, commensurate with the term of the lease, to determine the present value of the lease payments for each lease agreement. In addition, the Company does not separate the non-lease components contained in “full service” leases for office space.

Operating leases

The Organization entered into a new lease agreement on July 15, 2015, which was most recently amended on November 2, 2020 for office space in Silver Spring, MD. The lease agreement requires lease payments of \$5,278 per month through November 30, 2024. In addition, the Company has the option of extending the lease for one final year through November 30, 2025.

Total lease expense for office space totaled \$63,331 for the year ended September 30, 2023 and 2022.

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 9 Lease commitments (continued)

The following is a schedule of future minimum rental payments required under real estate operating lease agreements:

	Gross Lease
2024	\$ 63,331
2025	63,331
2026	10,556
2027	-
2028	-
2029 and beyond	-
	<hr/>
Total undiscounted cash flows	137,218
Less: present value discount	(6,621)
	<hr/>
Total lease liabilities	130,597
Less: Lease obligations, current	(58,594)
	<hr/>
Lease obligations, non-current	72,003
	<hr/>

The right of use asset is reported in the accompanying balance sheet and totaled \$130,597 as of September 30, 2023.

During the year ended September 30, 2023, the Organization had the following cash and non-cash activities associated with their lease:

Cash paid for amounts include in the measurement of lease liabilities	
Operating cash flows from operating leases:	\$ 63,331
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 186,450

Because the Organization generally does not have access to the rate implicit in the lease, they utilize their risk-free rate as the discount rate. The discount rate associated with the operating leases as of September 30, 2023 is 4.80%. As of September 30, 2023, there is one year remaining on the lease term. Beyond that, the Company has the option of extending the lease for one final year through November 30, 2025.

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS September 30, 2023 and 2022

Note 10 Retirement plan

The Company has a 403(b)(7) plan for all full and part-time, year-round employees. Each employee may contribute up to \$18,500 for a calendar year, with an additional “catch-up contribution” of \$6,000 for employees over 50 years of age. Employees must reach the age of 18 and complete two years of service, with each year containing 500 hours before being eligible to receive matching contributions. The amount and consideration of whether or not a matching contribution will be made will be determined by the Company each year in their sole discretion. During the years ended September 30, 2023 and 2022, the Company contributed \$60,306 and \$53,966 to the plan, respectively.

Note 11 Long-term debt

Housing Unlimited, Inc. held the following mortgages and notes payable as of September 30, 2023 and 2022:

	2023	2022
Mortgage Payable to Montgomery County Department of Housing and Community Affairs (DHCA). Payable in monthly installments of \$931, including interest at 2% per annum, final payment due March 2025; secured by a second deed of trust on residential property. The U.S. Department of Housing and Urban Development (HUD) funded the loan through its CDBG program.	\$ 2,460	\$ 3,490
Mortgages Payable to DHCD, Special Loans Division. Payable in monthly installments ranging from \$181 to \$600, for a total payment of \$4,365, including interest at rates ranging from 2% to 3.5% per annum; loans maturing from 2025 to 2032; secured by deeds of trust on residential property. Terms of the loans also require HUI to make monthly deposits to a reserve for replacements totaling \$953. In accordance with terms of equity participation agreements, the Company is required to remit to the department 50% of the net proceeds (as defined therein) upon sale of the respective properties for which these loans were obtained.	224,568	270,490
Mortgages Payable to DHCA. Payable in monthly installments ranging from \$96 to \$418, for a total of \$1,483, including interest at 1% per annum; loans maturing from 2026 to 2030; secured by deeds of trust on residential property. HUD funded the loan through its HOME program.	91,586	108,354

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 11 Long-term debt (continued)

Mortgages Payable to DHCA. Payable in annual installments based upon the lesser of 50% of net cash flow, as defined, or a fixed amount ranging from \$658 to \$3,264, for a total of \$49,778, including interest ranging from zero to 1% per annum; loans mature from 2032 to 2059; secured by deeds of trust on residential property. HUD funded the loan through its HOME program.	1,434,129	1,467,024
Mortgages Payable to DHCA. Payable in annual installments of \$3,642, including interest at 1% per annum; loan maturing in 2031; secured by deeds of trust on residential property. HUD funded the loan through its HOME program.	34,525	37,457
Mortgages Payable to DHCA. Payable in annual installments of \$375, including interest at 1% per annum; loan maturing in 2032; secured by deeds of trust on residential property.	3,667	3,980
Mortgages Payable to DHCA. Payable based upon the lesser of 50% of net cash flow, as defined, or annual installments ranging from \$559 to \$5,480, for a total of \$22,075, including interest at 0% per annum; loans mature from 2047 to 2060; secured by deeds of trust on residential property.	836,654	846,113
Notes Payable to DHCA. Forgivable at the discretion of the lender subject to certain terms and conditions. Terms of the note call for repayment in 10 equal monthly installments, beginning on the maturity date if not forgiven, with final payments due from 2022 to 2031. The loans are non-interest bearing, unsecured, and funded by HUD through its CDBG program.	741,002	521,425
Mortgage Payable to DHCA. Payable in annual installments based upon the lesser of 50% of net cash flow, as defined, or a fixed amount of \$594; loan matures in 2049 and is non-interest bearing; secured by deed of trust on residential property; contains a provision which forgave \$33,000 of the \$56,792 principal at settlement. HUD funded the loan through its HOME program.	19,627	19,627
Mortgage Payable to DHCA. Payable in annual installments based upon the lesser of 50% of net cash flow, as defined, or a fixed amount of \$776; loan matures in 2049 and is non-interest bearing; secured by deed of trust on residential property. HUD funded the loan through its HOME program.	24,224	24,224

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS September 30, 2023 and 2022

Note 11 Long-term debt (continued)

Mortgages Payable to DHCA. Payable in annual installments based upon the lesser of 50% of net cash flow, as defined, or a fixed amount ranging from \$757 to \$3,038, for a total of \$52,734; loans mature from 2051 to 2062 and are non-interest bearing; secured by deeds of trust on residential property. HUD funded the loan through its HOME program.

1,982,603	1,717,501
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Mortgage Payable to DHCA. Payable in annual installments based upon the lesser of 50% of net cash flow, as defined, or a fixed amount of \$1,331; loan matures in 2053 and is non-interest bearing; secured by deed of trust on residential property. HUD funded the loan through its HOME program.

44,265	46,725
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5,439,310	5,066,410
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Less: current maturities of long-term debt

(190,467)	(181,357)
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\$ 5,248,843	\$ 4,885,053
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Estimated maturities of long-term debt for the next five years and beyond are as follows:

2024	\$ 190,467
2025	305,410
2026	222,696
2027	176,218
2028	319,832
2029 and beyond	4,224,687
	<u>\$ 5,439,310</u>

Note 12 Revolving loan fund

The Company received a loan from DHCA's Housing Initiative Fund (HIF) for \$442,400, which is payable in full on May 31, 2024. Loan proceeds must be used as a revolving loan fund to acquire, renovate, and pay fees associated with the purchase and renovation of Company properties. The balance due for both September 30, 2023 and 2022 is \$442,400, and there were no financing fees incurred for either year relating to the loan. The revolving loan is considered a current liability as of the date of financial position, but the Company was in the process of renewing the revolving loan as of the date of the report.

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 12 Revolving loan fund (continued)

Funds from the revolving loan are deposited into an investment account, with balances of \$395,058 and \$379,460 as of September 30, 2023 and 2022, respectively. As of September 30, 2023 and 2022, the revolving loan fund was comprised of \$112 and \$379,460, respectively of cash, which are classified as cash and cash equivalents – revolving loan fund on the statements of financial position, and \$394,946 and \$0, respectively, of investments, classified as investments – revolving loan fund on the statements of financial position.

Note 13 Board designated net assets without donor restrictions

Board designated net assets without donor restrictions at September 30, 2023 and 2022 consist of the following:

During the year ended September 30, 2014, the Company received an unrestricted donation from an anonymous donor in the amount of \$1,076,320. Although the gift was unrestricted, the Company's Board of Directors imposed restrictions on the gift's usage based on its proposal to the donor's trustee. All or a portion of the gift will be used to offset operating expenses of the Company's rental properties. Funds not yet used for operating expenses may be used as a second revolving loan fund in addition to the Montgomery County revolving loan fund. As of September 30, 2023 and 2022, \$767,617 and \$1,238,374, respectively, of net assets are considered board designated net assets without donor restrictions.

The restricted balances consist of cash, investments in mutual funds and certificates of deposit. As of September 30, 2023 and 2022, \$108,822 and \$1,047,896, respectively, were held as cash, of which, \$36 and \$939,139 are included in cash and cash equivalents – board designated and \$108,786 and \$108,757, respectively, are included as cash and cash equivalents – reserve for replacement in the accompanying statements of financial position. As of September 30, 2023 and 2022, \$531,363 and \$63,372, respectively, were held in mutual funds, of which, \$462,133 and \$0 are included in investments– board designated and \$69,230 and \$63,372, respectively, are included as investments – reserve for replacement in the accompanying statements of financial position. As of September 30, 2023 and 2022, \$127,432 and \$127,106, respectively, were held as certificates of deposits and are included as certificates of deposit – reserve for replacement in the accompanying statements of financial position.

Note 14 Maryland state grant

The Company has been awarded several grants from the Maryland Department of Health and Mental Hygiene (DHMH) since 2008. The purpose of these grants is to assist the Company with the cost of acquiring single family homes in Montgomery County. The most recent grant was for up to a maximum of \$974,461, approved in June of 2022. Per the terms of the agreement, the Company may not sell, transfer, or use the properties for anything other than the approved purpose for the subsequent 30-year period. Grants received for the years ended September 30, 2023 and 2022 totaled \$590,291 and \$559,423, respectively. Receipts are recorded in government grants – acquisitions and renovations on the accompanying statements of activities and changes in net assets, and the remaining undrawn balances as of September 30, 2023 and 2022 were \$384,170 and \$974,461, respectively.

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 15 Rent subsidy payments

Montgomery County provides rent subsidy payments to eligible residents, provided that they do not reside in a government jurisdiction. The Company received \$746,834 and \$674,400, respectively during the years ended September 30, 2023 and 2022. These are recorded under tenant assistance payments as county subsidies on the accompanying statements of activities and changes in net assets.

Note 16 Contributions of nonfinancial assets

The Organization recognized contributed nonfinancial assets within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. All contributions of nonfinancial assets were either utilized for program and administrative purposes during the year or held in inventory for future use. Contributions of nonfinancial assets are recorded at fair value on the date of their donation. For the years ended September 30, 2023 and 2022, the contributions of nonfinancial assets consisted of:

	2023	2022
Donated goods and services	\$ 2,450	\$ 1,437
Total contributions of nonfinancial assets	<u>\$ 2,450</u>	<u>\$ 1,437</u>

Note 17 Major sources of revenue

For the year ended September 30, 2023, the Company's two largest sources of revenue accounted for 27% and 14% of total revenue. At September 30, 2023, accounts receivable for these sources of revenue were \$3,780 and \$2,537, respectively.

For the year ended September 30, 2022, the Company's two largest sources of revenue accounted for 27% and 14% of total revenue. At September 30, 2022, accounts receivable for these sources of revenue were \$0 and \$3,684, respectively.

Note 18 Income taxes

Housing Unlimited, Inc. has received a determination letter from the IRS that grants an exemption from income taxes under Section 501(c)(3) of the IRC except for any income that may be a result of unrelated business transactions. Additionally, the IRS has classified Housing Unlimited, Inc. as an organization other than a private foundation.

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 18 Income taxes (continued)

Housing Unlimited, Inc. has adopted the provisions of FASB *Accounting Standards codification* (ASC) 740-10-50-15, *Accounting for Uncertainty in Income Taxes* – an interpretation of FASB statement 109 in accounting for uncertain tax positions. Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than to that the position will be sustained. Housing Unlimited, Inc. does not believe that there are any material uncertain tax positions and accordingly it will not recognize any liability for unrecognized tax benefits. Housing Unlimited, Inc. has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, Housing Unlimited, Inc. has filed Internal Revenue Service Form 990 tax returns as required and all other applicable returns in those jurisdictions where it is required. The taxable years 2019 through 2022 are open tax years subject to examination. For the year ended September 30, 2023 and 2022, no interest or penalties were recorded or included in the statements of activities and changes in net assets.

Note 19 Net assets with donor restrictions

Housing Unlimited, Inc. had the following net assets with donor restrictions at the years ended September 30, 2023 and 2022:

	2023	2022
Individuals	\$ -	\$ -
Corporations and foundations	-	-
Government grants	-	-
Total net assets with donor restrictions	<u>\$ -</u>	<u>\$ -</u>

The Company has satisfied all donor restrictions as of September 30, 2023.

Note 20 Concentration of revenue

The Company received a significant portion of its revenue (approximately 57% and 56% for years ended September 30, 2023 and 2022, respectively) from rental income. During the year ended September 30, 2023 and 2022, no donors or grantors made up more than 10% of total receipts by the organization.

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 20 Concentration of revenue (continued)

	2023	Percent of revenue
Rental Income	\$ 1,819,543	57%
Contributions – Corporations and foundations	300,854	9%
Contributions - Individuals	194,432	6%
Contributions – Government grants – operating	174,913	6%
Contributions – Government grants – acquisitions and renovations	721,672	22%
Contributions – Donated goods and services	2,450	0%
	<hr/>	<hr/>
Total revenue	\$ 3,213,863	100%
	<hr/>	<hr/>
	2022	Percent of revenue
Rental Income	\$ 1,657,055	56%
Contributions – Corporations and foundations	394,145	13%
Contributions - Individuals	117,029	4%
Contributions – Government grants – operating	122,500	4%
Contributions – Government grants – acquisitions and renovations	611,309	21%
Contributions – Government grants – forgiveness of debt	73,117	2%
Contributions – Donated goods and services	1,437	0%
	<hr/>	<hr/>
Total revenue	\$ 2,976,592	100%
	<hr/>	<hr/>

Note 21 Commitments and contingencies

Grant and property use restrictions

Many properties owned and operated by the Company were developed using funds provided by grants and low-interest loans. The terms of these loans restrict the use of the property and require that the Company rent the related units to low-income tenants for the loan term.

Rental assistance programs

Many properties owned by the Company have entered into rental assistance contracts with RAP and HOC. These contracts have various terms and require the Company to provide housing to low-income tenants and obtain approval for all rent increases.

HOUSING UNLIMITED, INC.

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023 and 2022

Note 22 Subsequent events

On November 16, 2023, permanent financing was carried out for two of the Company's properties, which involved two grants from the State of Maryland for \$122,307 and \$186,873, and two loans from Montgomery County for \$80,496 and \$122,073.

Beginning on December 7, 2023, the Company enrolled in Truist's IntraFi Cash Service (ICS), which places Truist funds in excess of \$250,000 in other banks' FDIC-insured demand deposit accounts and/or money market accounts to ensure that all Truist funds are effectively insured under FDIC. The opening deposit into this program was \$254,078.

On January 25, 2024, the Company obtained a forgivable loan for their Veirs Mill property in the amount of \$70,085.

HOUSING UNLIMITED, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2023**

Federal Grantor/Program or Cluster Title	Federal Assistance Listing Number	Federal Expenditures	Amounts paid to subrecipients
U.S. Department of Housing and Urban Development			
Pass-through programs from:			
Montgomery County, Maryland			
Home Investment Partnership Program			
Grants	14.239	\$ 40,000	\$ -
Loans	14.239	<u>3,663,218</u>	<u>-</u>
Total		<u>3,703,218</u>	<u>-</u>
Montgomery County, Maryland			
Community Development Block Grants			
Entitlement Grants Cluster			
Loans	14.218	<u>571,640</u>	<u>-</u>
Total		<u>571,640</u>	<u>-</u>
Total expenditures of federal awards		<u><u>\$ 4,274,858</u></u>	<u><u>\$ -</u></u>

See Notes to Schedule of Expenditures of Federal Awards

HOUSING UNLIMITED, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2023**

Note 1 Purpose

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to the Company's financial statements and is presented for purposes of additional analysis. The Schedule is required by the Office of Management and Budget (OMB) Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards.

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

Expenditures reported on this Schedule are presented using the accrual basis of accounting as described in Note 1 to the Company's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or are limited as to reimbursement.

The accompanying Schedule includes the federal award activity of Housing Unlimited, Inc. under programs of the federal government for the year ended September 30, 2023. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the Schedule. The information is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Company, it is not intended to and does not present the net worth, results of operations, or cash flows of the Company.

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

Indirect Cost Rate

The Company has not elected to use the 10% de minimis cost rate.

Use of Estimates

The preparation of the Schedule in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount in other income during the reporting period. Actual results could differ from those estimates.

HOUSING UNLIMITED, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2023

Note 2 Summary of Significant Accounting Policies (continued)

Loans

The outstanding balances of loans and loan guarantee payments at September 30, 2023 for those loans that are applicable to the Uniform Guidance are as follows:

HOME Investment Partnership Program Loans	14.239	\$	3,770,741
Community Development Block Grants			
Entitlement Grants Cluster Loans	14.218		<u>603,679</u>
Total		\$	<u><u>4,374,420</u></u>

Subsequent Events

The Schedule and related disclosures include evaluation of events through the date of the report, which is the date the Schedule was available to be issued.

Note 3 Subrecipients

None of the grants or loans reported on the SEFA had subrecipients.



INDEPENDENT AUDITORS' 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
Housing Unlimited, Inc.

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 Unlimited, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Housing Unlimited, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Housing Unlimited, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Unlimited, Inc.'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Unlimited, Inc.'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 financial statements. 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*.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Ryan & Wetmore, PC". The signature is written in a cursive, flowing style.

Bethesda, MD

March 20, 2024



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Housing Unlimited, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Housing Unlimited, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Housing Unlimited, Inc.'s major federal programs for the year ended September 30, 2023. Housing Unlimited, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Housing Unlimited, Inc. 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 September 30, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Housing Unlimited, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Housing Unlimited, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Housing Unlimited, Inc.'s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Housing Unlimited, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Housing Unlimited, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Housing Unlimited, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Housing Unlimited, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Housing Unlimited, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



Bethesda, MD

March 20, 2024

HOUSING UNLIMITED, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements		
Type of auditor’s report issued		Unmodified
Internal control over financial reporting:		
Material weaknesses identified?		No
Significant deficiencies identified not considered to be material weaknesses?		None reported
Noncompliance material to financial statements noted?		No
Federal Awards		
Internal control over major programs:		
Material weaknesses identified?		No
Significant deficiencies identified not considered to be material weaknesses?		None reported
Type of auditor’s report issued on compliance for		
Major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:		No
Identification of major programs:		
Federal ALN Number(s)	Name of Federal Program or Cluster	
14.239	Home Investment Partnership Program	
Dollar threshold used to distinguish between Type A and Type B programs:		\$750,000
Auditee qualifies as low-risk auditee?		Yes

(continued)

HOUSING UNLIMITED, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2023

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – Prior Year Financial Statement Findings

None reported

Section V –Prior Year Federal Award Findings and Questioned Costs

None reported