

# **Housing Unlimited, Inc.**

## **Financial Statements**

**For the Years Ended September 30, 2020 and 2019**

# Housing Unlimited, Inc.

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For the Years Ended September 30, 2020 and 2019

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## Independent Auditor's Report

To the Board of Directors  
Housing Unlimited, Inc.  
12125 Veirs Mill Road, Suite 201  
Silver Spring, MD 20906

### Report on the Financial Statements

We have audited the accompanying financial statements of Housing Unlimited, Inc., which comprise the statements of financial position as of September 30, 2020, and the related statements of activities and changes in net assets, statements of functional expenses 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization'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 Housing Unlimited, Inc. as of September 30, 2020, and results of its activities, changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 2 of the financial statements, during the year ended September 30, 2020, Housing Unlimited, Inc. adopted Financial Accounting Standards Board Update (ASU) No. 2016-18 – *Statement of Cash Flows (Topic 230): Restricted Cash*. and ASU No. 2018-08 – *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

## **Other Matters**

The financial statements of Housing Unlimited, Inc. as of September 30, 2019 were audited by other auditors whose report dated February 7, 2020 expressed an unmodified opinion on those statements.

## **Other 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 February 8, 2021 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, 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 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 Housing Unlimited, Inc.'s internal control over financial reporting and compliance.

SC&H attest services, P.C.

Sparks, Maryland  
February 8, 2021

Name of Audit Firm: SC&H Attest Services, P.C.

Address: 910 Ridgebrook Road  
Sparks, Maryland 21152

Federal I.D.#: 52-1743645

Andrea B. Hartman, CPA  
(Lead Auditor)  
(410) 403 1500

# Housing Unlimited, Inc.

Statements of Financial Position  
As of September 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents - operating	\$ 1,012,431	\$ 974,926
Cash and cash equivalents - reserve for replacement	267,893	266,902
Cash and cash equivalents - revolving loan fund	183,279	183,201
Cash and cash equivalents - board designated	156,432	-
Accounts receivable - tenants	86,388	54,997
Accounts receivable - other	15,854	11,606
Total current assets	<u>1,722,277</u>	<u>1,491,632</u>
<b>Restricted cash and reserves</b>		
Tenant security deposits	127,136	120,454
Reserve for replacements	169,625	158,181
Total restricted cash and reserves	<u>296,761</u>	<u>278,635</u>
<b>Property and equipment</b>		
Land	4,147,813	3,700,723
Buildings	12,924,918	12,276,563
Furniture and equipment	440,171	377,491
Vehicles	32,034	30,122
Leasehold improvements	23,206	23,206
	17,568,142	16,408,105
Less: accumulated depreciation	4,838,640	4,345,728
Property and equipment, net	<u>12,729,502</u>	<u>12,062,377</u>
<b>Other assets</b>		
Investments - board designated	230,301	216,102
Office security deposit	4,553	4,553
Total other assets	<u>234,854</u>	<u>220,655</u>
Total assets	<u>\$ 14,983,394</u>	<u>\$ 14,053,299</u>

See independent auditor's report and notes to financial statements.

# Housing Unlimited, Inc.

Statements of Financial Position (Continued)  
As of September 30, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable - operations	\$ 2,082	\$ 972
Accrued interest	8,916	15,414
Retirement plan payable	2,096	1,201
Current maturities of long-term debt	197,235	149,704
Prepaid rent	8,280	27,597
	<u>218,609</u>	<u>194,888</u>
<b>Other liabilities</b>		
Tenant security deposits	83,141	83,036
Revolving loan fund - Montgomery County	442,400	442,400
Long-term debt, net of current maturities	4,449,516	4,006,935
	<u>4,975,057</u>	<u>4,532,371</u>
Total liabilities	<u>5,193,666</u>	<u>4,727,259</u>
<b>Commitments and contingencies (Note 12)</b>		
<b>Net assets</b>		
Without donor restrictions		
Undesignated	9,402,995	9,109,938
Board designated	386,733	216,102
	<u>9,789,728</u>	<u>9,326,040</u>
Total net assets without donor restrictions	<u>9,789,728</u>	<u>9,326,040</u>
Total liabilities and net assets	<u>\$ 14,983,394</u>	<u>\$ 14,053,299</u>

*See independent auditor's report and notes to financial statements.*

# Housing Unlimited, Inc.

## Statement of Activities and Changes in Net Assets For the Year Ended September 30, 2020

	Without donor restrictions	With donor restrictions	Total
<b>Rental income</b>			
Tenants	\$ 999,817	\$ -	\$ 999,817
County subsidies	549,513	-	549,513
Less: vacancies	86,520	-	86,520
Total rental income	1,462,810	-	1,462,810
<b>Contributions</b>			
Corporations and foundations	351,010	-	351,010
Individuals	118,690	-	118,690
Government grants - operating	118,400	-	118,400
Government grants - acquisitions and renovations	664,425	-	664,425
Government grants - forgiveness of debt	128,290	-	128,290
Donated goods and services	24,496	-	24,496
Total contributions	1,405,311	-	1,405,311
Total support and revenue	2,868,121	-	2,868,121
<b>Expenses</b>			
Program services	2,013,739	-	2,013,739
General and administrative	304,369	-	304,369
Fundraising	114,206	-	114,206
Total expenses	2,432,314	-	2,432,314
<b>Other revenue and expenses</b>			
Interest income	2,055	-	2,055
Unrealized investment gain	14,199	-	14,199
Miscellaneous revenue	11,627	-	11,627
Total other revenue and expenses	27,881	-	27,881
Change in net assets	463,688	-	463,688
Net assets, beginning of year	9,326,040	-	9,326,040
Net assets, end of year	\$ 9,789,728	\$ -	\$ 9,789,728

See independent auditor's report and notes to financial statements.

# Housing Unlimited, Inc.

## Statement of Activities and Changes in Net Assets For the Year Ended September 30, 2019

	Without donor restrictions	With donor restrictions	Total
<b>Rental income</b>			
Tenants	\$ 950,702	\$ -	\$ 950,702
County subsidies	537,345	-	537,345
Less: vacancies	112,348	-	112,348
Total rental income	<u>1,375,699</u>	<u>-</u>	<u>1,375,699</u>
<b>Contributions</b>			
Corporations and foundations	371,150	-	371,150
Individuals	150,248	-	150,248
Government grants - operating	98,400	-	98,400
Government grants - acquisitions and renovations	405,493	-	405,493
Government grants - forgiveness of debt	58,955	-	58,955
Donated goods and services	168,910	-	168,910
Total contributions	<u>1,253,156</u>	<u>-</u>	<u>1,253,156</u>
Total support and revenue	<u>2,628,855</u>	<u>-</u>	<u>2,628,855</u>
<b>Expenses</b>			
Program services	1,932,830	-	1,932,830
General and administrative	289,416	-	289,416
Fundraising	175,145	-	175,145
Total expenses	<u>2,397,391</u>	<u>-</u>	<u>2,397,391</u>
<b>Other revenue and expenses</b>			
Interest income	4,085	-	4,085
Unrealized investment gain	11,313	-	11,313
Gain on disposal of assets	411	-	411
Miscellaneous revenue	2,602	-	2,602
Total other revenue and expenses	<u>18,411</u>	<u>-</u>	<u>18,411</u>
Change in net assets	<u>249,875</u>	<u>-</u>	<u>249,875</u>
Net assets, beginning of year	<u>9,076,165</u>	<u>-</u>	<u>9,076,165</u>
Net assets, end of year	<u>\$ 9,326,040</u>	<u>\$ -</u>	<u>\$ 9,326,040</u>

See independent auditor's report and notes to financial statements.

# Housing Unlimited, Inc.

Statement of Functional Expenses  
For the Year Ended September 30, 2020

	Program services			General and administrative	Fundraising	Total
	Residential housing	Public education	Total			
Applicant check	\$ 2,298	\$ -	\$ 2,298	\$ -	\$ -	\$ 2,298
Bad debt	47,741	-	47,741	-	-	47,741
Consultant	-	-	-	-	17,055	17,055
Depreciation	504,587	-	504,587	-	-	504,587
Fringe benefits	81,032	4,512	85,544	27,787	8,641	121,972
Fundraising - events	-	-	-	-	11,162	11,162
Homeowner association fees	235,609	-	235,609	-	-	235,609
Inspections	3,441	-	3,441	-	-	3,441
Insurance	37,317	2,078	39,395	12,796	3,979	56,170
Interest	20,615	-	20,615	-	-	20,615
Licenses	714	-	714	-	-	714
Memberships	-	-	-	4,329	-	4,329
Miscellaneous financial	13,922	-	13,922	-	-	13,922
Office expenses	28,514	1,588	30,102	9,777	4,533	44,412
Office rent	41,453	2,308	43,761	14,214	4,420	62,395
Payroll taxes	40,761	2,270	43,031	13,978	4,347	61,356
Professional fees	-	-	-	28,319	-	28,319
Public education material	-	3,841	3,841	-	-	3,841
Repairs - homes	113,303	-	113,303	-	-	113,303
Salaries	544,179	30,300	574,479	186,602	58,026	819,107
Telephone - homes	36,271	-	36,271	-	-	36,271
Telephone - office	8,454	471	8,925	2,899	902	12,726
Tenant contractors	1,425	-	1,425	-	-	1,425
Tenant council	7,390	-	7,390	-	-	7,390
Training	278	16	294	96	30	420
Travel	10,418	580	10,998	3,572	1,111	15,681
Utilities	186,053	-	186,053	-	-	186,053
<b>Total</b>	<b>\$ 1,965,775</b>	<b>\$ 47,964</b>	<b>\$ 2,013,739</b>	<b>\$ 304,369</b>	<b>\$ 114,206</b>	<b>\$ 2,432,314</b>

See independent auditor's report and notes to financial statements.

# Housing Unlimited, Inc.

## Statement of Functional Expenses

For the Year Ended September 30, 2019

	Program services			General and administrative	Fundraising	Total
	Residential housing	Public education	Total			
Applicant check	\$ 4,289	\$ -	\$ 4,289	\$ -	\$ -	\$ 4,289
Consultant	52,694	-	52,694	91,960	85,151	229,805
Depreciation	462,726	-	462,726	-	-	462,726
Fringe benefits	84,288	1,825	86,113	15,953	3,724	105,790
Fundraising - events	-	-	-	-	55,633	55,633
Homeowner association fees	223,596	-	223,596	-	-	223,596
Inspections	4,765	-	4,765	-	-	4,765
Insurance	39,477	855	40,332	7,472	1,744	49,548
Interest	21,930	-	21,930	-	-	21,930
Licenses	7,164	-	7,164	-	-	7,164
Memberships	-	-	-	4,681	-	4,681
Miscellaneous financial	8,043	-	8,043	-	-	8,043
Office expenses	37,150	804	37,954	7,032	1,641	46,627
Office rent	47,794	1,035	48,829	9,046	2,111	59,986
Payroll taxes	37,214	806	38,020	7,043	1,644	46,707
Professional fees	-	-	-	45,568	-	45,568
Public education material	-	4,229	4,229	-	-	4,229
Repairs - homes	113,336	-	113,336	-	-	113,336
Salaries	505,350	10,941	516,291	95,645	22,326	634,262
Telephone - homes	38,710	-	38,710	-	-	38,710
Telephone - office	5,436	118	5,554	1,029	240	6,823
Tenant contractors	771	-	771	-	-	771
Tenant council	13,551	-	13,551	-	-	13,551
Training	2,649	57	2,706	501	117	3,324
Travel	18,419	399	18,818	3,486	814	23,118
Utilities	182,409	-	182,409	-	-	182,409
<b>Total</b>	<b>\$ 1,911,761</b>	<b>\$ 21,069</b>	<b>\$ 1,932,830</b>	<b>\$ 289,416</b>	<b>\$ 175,145</b>	<b>\$ 2,397,391</b>

See independent auditor's report and notes to financial statements.

# Housing Unlimited, Inc.

## Statements of Cash Flows

For the Years Ended September 30, 2020 and 2019

	2020	2019
<b>Cash flows from operating activities</b>		
Cash received for:		
Contributions and grants	\$ 1,380,815	\$ 684,328
Rental income	1,412,102	1,374,838
Interest income	2,055	4,085
Other income	7,379	2,602
	<u>2,802,351</u>	<u>2,065,853</u>
Total cash receipts		
Cash paid for services and to employees for:		
Program services	1,515,650	1,426,224
General and administrative	302,361	194,557
Fundraising	112,713	143,657
Tenant security deposits	(105)	(3,373)
	<u>1,930,619</u>	<u>1,761,065</u>
Total cash disbursements		
Net cash provided by operating activities	<u>871,732</u>	<u>304,788</u>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(988,705)	(821,079)
Decrease in investments - board designated	-	362,329
	<u>(988,705)</u>	<u>(458,750)</u>
Net cash used in investing activities		
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	457,431	-
Principal payments on long-term debt	(127,326)	(109,125)
	<u>330,105</u>	<u>(109,125)</u>
Net cash provided by (used in) financing activities		
<b>Net increase (decrease) in cash</b>	213,132	(263,087)
Cash, cash equivalents and restricted cash, beginning of year	<u>1,703,664</u>	<u>1,966,751</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 1,916,796</u>	<u>\$ 1,703,664</u>

See independent auditor's report and notes to financial statements.

# Housing Unlimited, Inc.

Statements of Cash Flows (Continued)  
For the Years Ended September 30, 2020 and 2019

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The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts presented in cash, cash equivalents and restricted cash, end of year, above:

	2020	2019
Cash and cash equivalents - operating	\$ 1,012,431	\$ 974,926
Cash and cash equivalents - reserve for replacement	267,893	266,902
Cash and cash equivalents - revolving loan fund	183,279	183,201
Cash and cash equivalents - board designated	156,432	-
Tenant security deposits	127,136	120,454
Reserve for replacements	169,625	158,181
	<u>\$ 1,916,796</u>	<u>\$ 1,703,664</u>

## Reconciliation of change in net assets to net cash provided by operating activities

Change in net assets	\$ 463,688	\$ 249,875
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	504,587	462,726
Unrealized investment gain	(14,199)	(11,313)
Gain on disposal of assets	-	(411)
Forgiveness of debt	-	(58,955)
Government grants - acquisitions	-	(333,035)
Donated goods - capitalized	(23,000)	-
(Increase) decrease in operating assets:		
Accounts receivable - other	(4,248)	(7,928)
Accounts receivable - tenants	(31,391)	(28,458)
Prepaid expenses	-	8,404
Increase (decrease) in operating liabilities:		
Accounts payable	1,110	(3,156)
Accrued interest	(6,498)	(1,324)
Retirement plan payable	895	(2,607)
Tenant security deposits	105	3,373
Prepaid rent	(19,317)	27,597
Net cash provided by operating activities	<u>\$ 871,732</u>	<u>\$ 304,788</u>

*See independent auditor's report and notes to financial statements.*

# Housing Unlimited, Inc.

Statements of Cash Flows (Continued)  
For the Years Ended September 30, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for interest	<u>\$ 27,114</u>	<u>\$ 23,253</u>
<b>Supplemental schedule of noncash investing and financing activities</b>		
Property and equipment acquired by issuing long-term debt	<u>\$ 160,007</u>	<u>\$ 393,496</u>
Property and equipment acquired through government grants	<u>\$ -</u>	<u>\$ 333,035</u>

*See independent auditor's report and notes to financial statements.*

# Housing Unlimited, Inc.

Notes to Financial Statements

For the Years Ended September 30, 2020 and 2019

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## 1) Nature of Business and Summary of Significant Accounting Policies

### *Nature of Business*

Housing Unlimited, Inc. (“HUI” or “The Company”) was incorporated in 1991 in the state of Maryland as a not-for-profit organization with the mission of providing housing to adults with mental illness. HUI’s goals are to acquire residential housing and to provide housing to individuals at affordable rental rates. HUI is supported by grants and contributions from individuals, companies, foundations, and governments. In addition, HUI obtains low-interest loans from county and state agencies.

### *Nature of Activities*

HUI conducts programs in residential housing and through public education. As of September 30, 2020, its residential housing program operated 80 properties serving 221 tenants throughout Montgomery County, Maryland. HUI provides intensive property management support to its tenants, but does not provide medical, psychiatric, or vocational training services. HUI tenants pay rent based on a fixed percentage of their income, not to exceed a certain maximum. HUI receives additional rent in the form of Montgomery County rental assistance payments, up to a maximum of \$200 per month, on behalf of qualifying tenants.

### *Basis of Presentation*

The Company complies with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for Profit Entities*. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Company are classified in the following two classes:

**Net assets with donor restrictions** consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources be maintained in perpetuity, but permit the Company to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

**Net assets without donor restrictions** represents funds that are available for support of the operations of the Company, and that are not subject to donor stipulation. All net assets as of September 30, 2020 and 2019 are without donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

### *Method of Accounting*

The books and records are maintained on the accrual basis and accounting principles generally accepted in the United States of America. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred. Expenses related to potential development projects are expensed when the project is abandoned.

*See independent auditor’s report.*

# Housing Unlimited, Inc.

Notes to Financial Statements (Continued)  
For the Years Ended September 30, 2020 and 2019

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## 1) Nature of Business and Summary of Significant Accounting Policies (Continued)

### ***Revenue Recognition***

HUI earns revenue from charitable donations from corporations, foundations and individuals. All donations are considered contributions rather than contracts as commensurate value is not received by the donors. All donations received are unconditional in nature and are recognized as revenue when pledged. Donations are received both with and without donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

All grants are considered contributions rather than contracts as commensurate value is not received by the grantors. Grants received are both conditional and unconditional in nature. Revenue from conditional grants is recognized as the barriers established in the grant agreements are achieved. Revenue from unconditional grants is recognized when pledged. Grants are received both with and without donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Company and tenants are operating leases.

### ***Rents Receivable and Bad Debts***

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

### ***Property and Equipment***

Property and equipment are stated at cost. The cost of repairs and maintenance is charged to operations as incurred. Major renewals, betterments, and additions are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

### ***Impairment of Long-Lived Assets***

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no asset impairments during the years ended September 30, 2020 and 2019.

### ***Income Taxes***

HUI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended September 30, 2020 and 2019. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

*See independent auditor's report.*

# Housing Unlimited, Inc.

Notes to Financial Statements (Continued)  
For the Years Ended September 30, 2020 and 2019

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## 1) Nature of Business and Summary of Significant Accounting Policies (Continued)

### *Cash and Cash Equivalents*

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### *Investments*

Investments with readily determinable fair values are reflected at fair market value. Income is recognized from interest and dividends as earned. Marketable securities consist 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 financial position date. Unrealized gains or losses are included in the accompanying statements of activities. See Note 5 for more information.

### *Certificates of Deposit*

HUI has invested in certificates of deposit (CDs), which are included in cash and cash equivalents – operating and cash and cash equivalents – reserve for replacement in the accompanying statements of financial position. The CDs are carried at cost, which approximates fair value, and can be redeemed with a penalty. The CDs bear interest between 0.01% and 0.25% and mature between 3 months and 18 months.

### *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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### *Contributed Goods and Services*

During the years ended September 30, 2020 and 2019, the Company received donated goods and services of \$24,496 and \$168,910, respectively which were recorded at their estimated fair value on the accompanying statements of activities. Additionally, there was a substantial number of unpaid volunteers who made significant contributions of time to further the Company's programs and objectives. The value of this contributed time is not reflected in these financial statements since the time is not susceptible to objective measurement of valuation.

### *Functional Expenses*

The costs of providing various programs and other activities are summarized on a functional basis in the statements of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Estimates may be used in developing allocation of expenses by function. Expenses directly attributable to a specific functional activity are reported as expenses of those functional activities. Other expenses are allocated based on the percentage of time spent by Company personnel performing that functional activity.

*See independent auditor's report.*

# Housing Unlimited, Inc.

Notes to Financial Statements (Continued)  
For the Years Ended September 30, 2020 and 2019

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## 1) Nature of Business and Summary of Significant Accounting Policies (Continued)

### *Grant Revenue*

Certain grant revenue, consisting of Community Development Block Grants (CDBG) and HOME Investment Partnerships Program Loans (HOME), must be used by the Company only for the acquisition and rehabilitation of housing for adults with mental illness. Other grant revenue received from Montgomery County is for program services and administrative expenses.

### *Reclassification*

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

## 2) Accounting Pronouncements Adopted

On October 1, 2019, the Company adopted ASU No. 2016-18 – *Statement of Cash Flows (Topic 230): Restricted Cash*, which reduced diversity in practice in the classification and presentation of changes in restricted cash on the statement of cash flows by including restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning of year and end of total amounts shown on the statement of cash flows. The Company adopted the provisions under this ASU on October 1, 2019 on a retrospective basis which resulted in an increase in beginning of year and period and end of year and period cash. Restricted cash was \$296,761 and \$278,635 as of September 30, 2020 and 2019, respectively, and therefore resulted in an increase in cash and restricted cash of \$296,761 and \$278,635 as presented on the statements of cash flows as of September 30, 2020 and 2019, respectively.

On October 1, 2019, the Company adopted ASU No. 2018-08 – *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). ASU 2018-08 provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The Company has determined that the adoption of ASU 2018-08 did not result in a change to the way the Company recognizes its revenue and there was no cumulative effect adjustment to beginning net assets.

## 3) Concentration of Risk

The Company maintains its cash balances in several accounts at various financial institutions. At times, these balances may exceed federal insured limits; however, the Company has not experienced any losses with respect to bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to cash balances as of September 30, 2020.

## 4) Liquidity Analysis

As of September 30, 2020, the Company has \$1,206,712 of current assets available to meet needs for general expenditures consisting of cash and cash equivalents of \$1,104,470 and receivables of \$102,242. As of September 30, 2019, the Company had \$1,133,559 of current assets available to meet needs for general expenditures consisting of cash and cash equivalents of \$1,066,956 and receivables of \$66,603. None of the financial assets are subject to donor or other contractual restrictions and accordingly, are available to meet the cash needs of the Company in the next 12 months.

*See independent auditor's report.*

# Housing Unlimited, Inc.

Notes to Financial Statements (Continued)  
For the Years Ended September 30, 2020 and 2019

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## 4) Liquidity Analysis (Continued)

The Company manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Company are expected to be met from revenues earned. In general, the Company aims to maintain sufficient financial assets on hand to meet at least one year's worth of normal operating expenses.

## 5) Investments and Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value for assets and liabilities subject to fair value measurement. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 - Inputs to the valuation methodology include the following

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company's investments includes investments in mutual funds, which are valued at quoted market prices in an exchange and active market. There have been no changes in the methodology used at September 30, 2020 and 2019.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Company believes its valuation method is appropriate and consistent with other market participants, the use of other methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

*See independent auditor's report.*

# Housing Unlimited, Inc.

Notes to Financial Statements (Continued)  
For the Years Ended September 30, 2020 and 2019

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## 5) Investments and Fair Value Measurements (Continued)

As of September 30, 2020 and 2019, all investments are measured as Level 1 within the fair value hierarchy. The following table sets forth the Company's investments at fair value as of September 30, 2020 and 2019:

	2020	2019
Mutual funds		
Treasury investments	\$ 3,795	\$ 4,248
Intermediate-term bonds	170,046	158,395
Emerging markets bonds	4,418	4,239
High-yield bond	4,414	4,297
Multisector bonds	19,749	18,996
Large blend	13,958	13,391
Mid-cap growth	9,176	8,405
Large growth	4,745	4,131
	<u>\$ 230,301</u>	<u>\$ 216,102</u>
Total investments		

For the year ended September 30, 2020 and 2019, the Company had unrealized investment gains of \$14,199 and \$11,313, respectively.

## 6) Reserves for Replacement

HUI is required to maintain replacement reserve accounts under the terms of certain mortgages with the Maryland Department of Housing and Community Development (DHCD). The loans require monthly deposits to replacement reserve accounts held by DHCD. As of September 30, 2020 and 2019, replacement reserves held by DHCD are \$169,625 and \$158,181, respectively.

HUI has created discretionary replacement reserve accounts which hold additional funds for required repairs. These reserves have no lender restrictions. As of September 30, 2020 and 2019, discretionary replacement reserves are \$267,893 and \$266,902, respectively, and are classified as cash and cash equivalents - reserve for replacement on the accompanying statements of financial position.

*See independent auditor's report.*

# Housing Unlimited, Inc.

Notes to Financial Statements (Continued)  
For the Years Ended September 30, 2020 and 2019

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## 7) Long-Term Debt

As of September 30, 2020 and 2019, HUI held the following mortgages and notes payable:

Mortgage Payable to Montgomery County Department of Housing and Community Affairs (DHCA). Payable in monthly installments of \$93, 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. The balances as of September 30, 2020 and 2019 are \$5,471 and \$6,441, respectively.

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, HUI 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. The balances as of September 30, 2020 and 2019 are \$358,156 and \$400,980, respectively.

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 mature from 2026 to 2030; secured by deeds of trust on residential property. HUD funded the loans through its HOME program. The balances as of September 30, 2020 and 2019 are \$141,226 and \$157,497, respectively.

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 loans through its HOME program. The balances as of September 30, 2020 and 2019 are \$1,504,334 and \$1,294,786, respectively.

Mortgage Payable to DHCA. Payable in annual installments of \$3,642, including interest at 1% per annum; loan maturing in 2031; secured by deed of trust on residential property. HUD funded the loan through its HOME program. The balance as of September 30, 2020 and 2019 is \$43,905 and \$50,078, respectively.

Mortgage Payable to DHCA. Payable in annual installments of \$375, including interest at 1% per annum; loan maturing in 2032; secured by deed of trust on residential property. The balance as of September 30, 2020 and 2019 is \$4,641 and \$5,262, respectively.

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. The balances as of September 30, 2020 and 2019 are \$856,698 and \$645,548 respectively.

Notes Payable to DHCA. Forgivable at the discretion of the lender subject to certain terms and conditions. Terms of the notes call for repayment in 10 equal monthly installments, beginning on the maturity date if not forgiven, with final payments due from 2021 to 2029. The loans are non-interest bearing, unsecured, and funded by HUD through its CDBG program. The balances as of September 30, 2020 and 2019 are \$538,562 and \$378,555, respectively.

*See independent auditor's report.*

# Housing Unlimited, Inc.

Notes to Financial Statements (Continued)  
For the Years Ended September 30, 2020 and 2019

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## 7) Long-Term Debt (Continued)

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. The balance as of September 30, 2020 and 2019 is \$19,627 and \$20,222, respectively.

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. The balances as of September 30, 2020 and 2019 is \$24,224.

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 \$2,872, for a total of \$29,518; loans mature from 2051 to 2059 and are non-interest bearing; secured by deeds of trust on residential property. HUD funded the loans through its HOME program. The balances as of September 30, 2020 and 2019 are \$1,100,662 and \$1,122,470, respectively.

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 CDBG program. The balances as of September 30, 2020 and 2019 are \$49,245 and \$50,576, respectively.

There were no financing fees incurred relating to these mortgages. During the years ended September 30, 2020 and 2019, interest expense of \$20,615 and \$21,930, respectively, were incurred. Accrued interest as of September 30, 2020 and 2019, is \$8,916 and \$15,414, respectively.

Estimated aggregate maturities of long-term debt over each of the next 5 years and thereafter are as follows:

2021	\$	197,235
2022		281,053
2023		202,231
2024		167,506
2025		282,362
2026 and after		<u>3,516,364</u>
Total	\$	<u>4,646,751</u>

## 8) Paycheck Protection Program Loan

The Company received a Paycheck Protection Program loan from the Congressional Bank in the amount of \$128,290. There were no financing fees incurred related to this loan. The loan bore interest at a nominal rate of 1% per annum and matured on April 16, 2022. The loan was eligible to be forgiven so long as the Company met several criteria including maintenance of employees and salary levels, expenditure of at least

*See independent auditor's report.*

# Housing Unlimited, Inc.

Notes to Financial Statements (Continued)  
For the Years Ended September 30, 2020 and 2019

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## 8) Paycheck Protection Program Loan (Continued)

60% of the loan proceeds on payroll costs, and expenditure of the remainder of the proceeds on mortgage interest, rent and/or utilities. The Company met the criteria for forgiveness during the year ended September 30, 2020 and the loan was forgiven on November 30, 2020. The Company recognized the loan forgiveness during the year ended September 30, 2020 and it is included in government grants – forgiveness of debt on the accompanying statement of activities and changes in net assets.

## 9) Revolving Loan Fund

HUI obtained a \$442,400 loan from DHCA's Housing Initiative Fund. The proceeds of the loan are to be used as a revolving loan fund for acquisitions, renovations, and payment of fees associated with the purchase and rehabilitation of HUI properties. There were no financing fees incurred relating to this loan. The loan is non-interest bearing and payable in full at maturity on May 31, 2024. The balance due under the revolving loan fund as of September 30, 2020 and 2019 is \$442,400.

The Company has deposited these funds into an investment account. As of September 30, 2020 and 2019, funds currently available in this account are \$183,279 and \$183,201, respectively, and are included in cash and cash equivalents - revolving loan fund in the accompanying statements of financial position.

## 10) Board Designated Net Assets Without Donor Restrictions

Board designated net assets without donor restrictions at September 30, 2020 and 2019 consist of the following:

During the year ended September 30, 2014, the Company received an unconditional promise 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 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, 2020 and 2019, \$386,733 and \$216,102, respectively, of net assets are considered board designated net assets without donor restrictions.

The restricted funds consist of cash balances and investments in mutual funds. As of September 30, 2020 and 2019, \$156,432 and \$0, respectively, are being held as cash and are included in cash and cash equivalents – board designated in the accompanying statements of financial position. As of September 30, 2020 and 2019, \$230,301 and \$216,102, respectively, are being held in mutual funds and are included in investments - board designated in the accompanying statements of financial position.

## 11) Maryland State Grant

Beginning in April 2008, the Maryland Department of Health and Mental Hygiene (DHMH) awarded HUI several grants to assist in the costs of acquiring single family homes in Montgomery County. The most recent grant was awarded in August 2020 up to a maximum of \$1,052,295. Under the terms of the grant, the purchased properties cannot be sold, transferred, or used for anything other than the approved purpose for a period of 30 years. The grants received for the years ended September 30, 2020 and 2019 totaled \$607,465 and \$333,035, respectively. These amounts are included in government grants – acquisitions and renovations

*See independent auditor's report.*

# Housing Unlimited, Inc.

Notes to Financial Statements (Continued)  
For the Years Ended September 30, 2020 and 2019

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## 11) Maryland State Grant (Continued)

in the accompanying statements of activities. The remaining combined undrawn balances as of September 30, 2020 and 2019 were \$1,052,295 and \$607,465, respectively.

## 12) Commitments and Contingencies

### *Office Space*

HUI is obligated under a lease agreement for new office space on Veirs Mill Road in Silver Spring, MD. The lease is for an initial period of 64 months, beginning on August 1, 2015 and ending on November 30, 2020. The lease was subsequently extended an additional two years to expire on November 30, 2022. The office space was renovated for HUI's occupation, for which a \$30,350 allowance was provided by the landlord.

Total rent expense under HUI's lease agreements was \$62,395 and \$59,985 for the years ended September 30, 2020 and 2019, respectively. Future minimum lease payments over each of the next three years are as follows:

2021	\$	63,331
2022		63,331
2023		<u>10,555</u>
Total	\$	<u>137,217</u>

### *Business Risk Factor*

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization has declared COVID-19 to constitute a Public Health Emergency of International Concern. In March 2020, COVID-19 began to spread throughout the United States. Efforts to contain COVID-19, including restrictions mandated by U.S. Federal and various state and local governments has caused numerous businesses to close or modify their operation in an effort to prevent COVID-19 from spreading more rapidly. Because of the size and duration of this pandemic, the direct and indirect consequences of COVID-19 are not yet known and may not emerge for some time. The future impact of the pandemic is highly uncertain and cannot be predicted, but it could have a material adverse impact on the future results of operations and financial position of the Company.

## 13) Subsequent Events

Management has evaluated events and transactions subsequent to the statement of financial position date for potential recognition or disclosure through the independent auditor's report date, the date the financial statements were available to be issued. Aside from the forgiveness of the Paycheck Protection Program Loan on November 30, 2020, as noted in Note 8, management has determined that no other events occurred as of the report date which requires disclosure in the financial statements:

*See independent auditor's report.*

# Housing Unlimited, Inc.

## Schedule of Expenditures of Federal Awards September 30, 2020

Federal grantor/ pass-through grantor/ program or cluster title	Federal CFDA number	Federal expenditures
U.S. Department of Housing and Urban Development		
Pass-through programs from:		
Montgomery County, Maryland		
HOME Investment Partnership Program		
Grants	14.239	\$ 18,400
Loans	14.239	<u>2,907,515</u>
Total		2,925,915
Montgomery County, Maryland		
Community Development Block Grants		
Entitlement Grants Cluster	14.218	<u>595,579</u>
Total expenditures of federal awards		<u><u>\$ 3,521,494</u></u>

### Notes:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Housing Unlimited, Inc. under programs of the federal government for the year ended September 30, 2020. The information in this Schedule 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 Housing Unlimited, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Housing Unlimited, Inc..

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Housing Unlimited, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

The balances of loans and loan guarantee programs outstanding at the end of the audit period for loans described in the Uniform Guidance are as follows:

HOME Investment Partnership Program Loans	14.239	\$ 2,833,978
Community Development Block Grants		
Entitlement Grants Cluster	14.218	<u>593,278</u>
Total		<u><u>\$ 3,427,256</u></u>



**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  
Housing Unlimited, Inc.  
12125 Veirs Mill Road, Suite 201  
Silver Spring, MD 20906

We have audited, 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, the financial statements of Housing Unlimited, Inc., which comprise the statement of financial position as of September 30, 2020, and the related statements of activities and changes in net assets, statements of functional of expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated February 8, 2021.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Housing Unlimited, Inc.'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 Housing Unlimited, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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*.

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

SC+H attest services, P.C.

Sparks, Maryland  
February 8, 2021



**Independent Auditor's 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.  
12125 Veirs Mill Road, Suite 201  
Silver Spring, MD 20906

**Report on Compliance for Each Major Program**

We have audited Housing Unlimited, Inc.'s compliance with the types of compliance requirements described 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, 2020. Housing Unlimited, Inc.'s major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Housing Unlimited, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Unlimited, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major federal program. However, our audit does not provide a legal determination of Housing Unlimited, Inc.'s compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Housing Unlimited, Inc. complied, in all material respects, with the 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, 2020.

### **Report on Internal Control Over Compliance**

Management of Housing Unlimited, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Housing Unlimited, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Housing Unlimited, Inc.'s internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirements of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*SC+H attest services, P.C.*

# **Housing Unlimited, Inc.**

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2020

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1. The auditor's report expresses an unmodified opinion on the financial statements of Housing Unlimited, Inc.
2. No significant deficiencies or material weaknesses in internal controls were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Housing Unlimited, Inc. which would be required to be reported in accordance with Government Auditing Standards were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal controls over major federal award programs were identified during the audit.
5. The auditor's report on compliance for the major federal award programs for Housing Unlimited, Inc. expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for Housing Unlimited, Inc.
7. The programs tested as major programs were: HOME Investment Partnerships Program, CFDA No. 14.239.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Housing Unlimited, Inc. was determined to be a low-risk auditee.

### **Findings - Financial Statement Audit**

None

### **Findings and Questioned Costs - Major Federal Awards Programs**

None