

Extended Housing, Inc.

YEARS ENDED JUNE 30, 2020 AND 2019

EXTENDED HOUSING, INC.

YEARS ENDED JUNE 30, 2020 AND 2019

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Independent Auditor's Report

Board of Directors
Extended Housing, Inc.
Painesville, Ohio

Report on Financial Statements

We have audited the accompanying financial statements of Extended Housing, Inc. (a non-profit agency), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Extended Housing, Inc. as of June 30, 2020 and 2019, and changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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 of Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2022 on our consideration of Extended Housing, 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 effectiveness of Extended Housing, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Extended Housing, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "HWC". The letters are stylized and cursive.

Cleveland, Ohio
February 25, 2022

EXTENDED HOUSING, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 394,348	\$ 245,157
Cash, board restricted reserve	63,523	45,319
Accounts receivable, net of allowance	23,118	10,500
Grants and other receivables	281,668	167,342
Prepaid expenses	<u>22,386</u>	<u>22,810</u>
Total current assets	<u>785,043</u>	<u>491,128</u>
Deposits held in trust - funded:		
Tenant security deposits	<u>42,354</u>	<u>40,551</u>
Restricted deposits and funded reserves:		
Restricted reserves	53,289	46,724
Reserve for replacements (HUD)	<u>67,842</u>	<u>58,640</u>
Total restricted deposits and funded reserves	<u>121,131</u>	<u>105,364</u>
Property and equipment, net:		
Land and land improvements	681,192	678,692
Building and building improvements	6,722,081	6,585,602
Furniture and fixtures	382,404	362,628
Equipment and software	182,103	171,566
Vehicles	<u>71,715</u>	<u>71,715</u>
	8,039,495	7,870,203
Less accumulated depreciation	<u>3,369,470</u>	<u>3,100,636</u>
Total property and equipment, net	<u>4,670,025</u>	<u>4,769,567</u>
Construction-in-progress	<u>236,795</u>	<u>48,075</u>
Total assets	<u><u>\$ 5,855,348</u></u>	<u><u>\$ 5,454,685</u></u>

LIABILITIES AND NET ASSETS

	2020	2019
Current liabilities:		
Line of credit and advance payable	\$ 244,000	\$ 129,000
Accounts payable, trade	71,114	31,133
Accrued expenses:		
Payroll and payroll related expenses	132,618	92,690
Real estate taxes	1,510	7,443
Interest	2,367	2,367
Due to grantor	87,044	42,960
Deferred revenue	146,890	130,359
Other current liabilities	6,873	35,012
Current portion of:		
Ohio Mental Health and Addiction Services forgivable notes	63,704	56,669
Other long-term debt	35,705	32,900
	791,825	560,533
Total current liabilities		
Deposit liabilities:		
Tenant security deposits	42,354	40,551
Long-term liabilities, less current portion:		
Ohio Mental Health and Addiction Services forgivable notes	1,181,172	1,049,225
Other long-term debt	292,591	328,293
Loan payable	25,500	25,500
	1,499,263	1,403,018
Total long-term liabilities		
Total liabilities	2,333,442	2,004,102
Net assets:		
Net assets without donor restrictions	1,008,191	961,868
Net assets with donor restrictions	2,513,715	2,488,715
	3,521,906	3,450,583
Total liabilities and net assets	\$ 5,855,348	\$ 5,454,685

See notes to financial statements.

EXTENDED HOUSING, INC.

STATEMENTS OF ACTIVITIES AND NET ASSETS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:						
Rental revenue	\$ 447,173		\$ 447,173	\$ 424,528		\$ 424,528
Federal program revenue	943,496		943,496	859,841		859,841
State and local program revenue	1,405,405		1,405,405	1,555,628		1,555,628
Amortization of forgivable notes	61,018		61,018	57,266		57,266
Tenant charges	13,025		13,025	11,541		11,541
Other revenue	189,173	\$ 25,000	214,173	277,509		277,509
Total revenue and other support	3,059,290	25,000	3,084,290	3,186,313		3,186,313
Net assets released from restrictions				396	\$ (396)	
	3,059,290	25,000	3,084,290	3,186,709	(396)	3,186,313
Expenses:						
Programs:						
Management owned properties	472,298		472,298	423,827		423,827
Residential care	398,358		398,358	427,658		427,658
McNaughton apartments	117,337		117,337	162,703		162,703
McKinley Grove apartments	171,233		171,233	186,784		186,784
Rental subsidy programs	370,974		370,974	359,349		359,349
PATH program	185,867		185,867	175,384		175,384
Permanent supportive housing program	160,910		160,910	148,818		148,818
Continuum of care programs	519,425		519,425	453,130		453,130
Housing support workers	165,653		165,653	164,763		164,763
Emergency housing voucher program	140,985		140,985	178,905		178,905
Management and general	296,782		296,782	398,888		398,888
Fundraising	13,145		13,145	14,960		14,960
Total expenses	3,012,967		3,012,967	3,095,169		3,095,169
Increase (decrease) in net assets	46,323	25,000	71,323	91,540	(396)	91,144
Net assets, beginning	961,868	2,488,715	3,450,583	870,328	2,489,111	3,359,439
Net assets, ending	<u>\$ 1,008,191</u>	<u>\$ 2,513,715</u>	<u>\$ 3,521,906</u>	<u>\$ 961,868</u>	<u>\$ 2,488,715</u>	<u>\$ 3,450,583</u>

See notes to financial statements.

EXTENDED HOUSING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services									Supporting Services				
	Management Owned Properties	Residential Care	McNaughton Apartments	McKinley Grove Apartments	Rental Subsidy Programs	PATH Program	Permanent Supportive Housing Program	Continuum of Care Programs	Housing Support Workers	Emergency Housing Voucher Program	Total Program Expenses	Management and General	Fundraising	Total Expenses
Personnel	\$ 164,576	\$ 311,387	\$ 19,083	\$ 23,195	\$ 18,263	\$ 92,337	\$ 140,219	\$ 25,745	\$ 121,433		\$ 916,238	\$ 147,304		\$ 1,063,542
Client assistance:														
Rents and utilities					308,239	33,334		457,756		\$ 140,985	940,314			940,314
HAP loan expense					21,080						21,080			21,080
Program supplies and food		18,006									18,006			18,006
Building occupancy, maintenance, and repairs	80,829	23,567	24,581	24,929						153,906	21,448			175,354
Administrative	16,349	27,669	1,779	9,436	23,105	58,150	18,472	35,708	37,379	228,047	17,771			245,818
Utilities	64,027	11,848	21,567	25,399		536				123,377	25,675			149,052
Taxes and insurance	16,823	4,773	2,876	10,120	287	667	662	216	1,571	37,995	9,809			47,804
Interest			22,253							22,253	15,577			37,830
Travel and vehicle expenses	9,797	1,108				675	1,330		4,840	17,750				17,750
Other	8,744			184		168	227		430	9,753	4,685	\$ 13,145		27,583
Total expenses before depreciation	361,145	398,358	92,139	93,263	370,974	185,867	160,910	519,425	165,653	140,985	2,488,719	242,269	13,145	2,744,133
Depreciation	111,153		25,198	77,970							214,321	54,513		268,834
Total expenses	\$ 472,298	\$ 398,358	\$ 117,337	\$ 171,233	\$ 370,974	\$ 185,867	\$ 160,910	\$ 519,425	\$ 165,653	\$ 140,985	\$ 2,703,040	\$ 296,782	\$ 13,145	\$ 3,012,967

See notes to financial statements.

EXTENDED HOUSING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services							Supporting Services						
	Management Owned Properties	Residential Care	McNaughton Apartments	McKinley Grove Apartments	Rental Subsidy Programs	PATH Program	Permanent Supportive Housing Program	Continuum of Care Programs	Housing Support Workers	Emergency Housing Voucher Program	Total Program Expenses	Management and General	Fundraising	Total Expenses
Personnel	\$ 128,650	\$ 329,458	\$ 36,797	\$ 42,053	\$ 15,160	\$ 90,246	\$ 132,819	\$ 11,217	\$ 133,405		\$ 919,805	\$ 227,046		\$ 1,146,851
Client assistance:														
Rents and utilities					286,034	52,329		403,072		\$ 140,886	882,321			882,321
HAP loan expense					29,024						29,024			29,024
Program supplies and food		24,026									24,026			24,026
Building occupancy, maintenance, and repairs	48,967	18,994	35,278	24,286							127,525	25,920		153,445
Administrative	14,039	35,687	4,508	7,512	28,989	29,981	13,764	38,595	24,679		197,754	46,378		244,132
Utilities	60,339	12,981	23,779	26,423		574					124,096	23,855		147,951
Taxes and insurance	23,237	4,122	3,600	9,659	82	676	933	246	1,041		43,596	9,731		53,327
Interest			24,235								24,235	9,249		33,484
Travel and vehicle expenses	13,641	1,699	15			1,302	397		4,870		21,924			21,924
Other	9,091	691	1,107		60	276	905		768	38,019	50,917	17,063	\$ 14,960	82,940
Total expenses before depreciation	297,964	427,658	129,319	109,933	359,349	175,384	148,818	453,130	164,763	178,905	2,445,223	359,242	14,960	2,819,425
Depreciation	125,863		33,384	76,851							236,098	39,646		275,744
Total expenses	\$ 423,827	\$ 427,658	\$ 162,703	\$ 186,784	\$ 359,349	\$ 175,384	\$ 148,818	\$ 453,130	\$ 164,763	\$ 178,905	\$ 2,681,321	\$ 398,888	\$ 14,960	\$ 3,095,169

See notes to financial statements.

EXTENDED HOUSING, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 71,323	\$ 91,144
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	268,834	275,744
Amortization of forgivable notes	(61,018)	(57,266)
Bad debts	10,000	15,000
Decrease (increase) in operating assets:		
Accounts receivable	(22,618)	(14,430)
Grants and other receivables	(114,326)	(122,312)
Prepaid expenses	424	11,112
Increase (decrease) in operating liabilities:		
Accounts payable	39,981	(1,485)
Accrued payroll and payroll related expenses	39,928	3,225
Accrued real estate taxes	(5,933)	6,320
Deferred revenue	16,531	(90,484)
Due to grantor	44,084	42,960
Other current liabilities	(28,139)	11,331
	<u>259,071</u>	<u>170,859</u>
 Cash flows from investing activities:		
Capital expenditures, including construction-in-progress	(358,012)	(407,664)
	<u>(358,012)</u>	<u>(407,664)</u>
 Cash flows from financing activities:		
Borrowings on loan payable and long-term debt	200,000	197,871
Payments on long-term debt	(32,897)	(30,355)
Line of credit borrowings and receipt of advance payable (payments), net	115,000	(7,769)
	<u>282,103</u>	<u>159,747</u>
 Net increase (decrease) in cash and restricted cash	<u>183,162</u>	<u>(77,058)</u>
 Cash and restricted cash, beginning	<u>395,840</u>	<u>472,898</u>
 Cash and restricted cash, ending	<u><u>\$ 579,002</u></u>	<u><u>\$ 395,840</u></u>

See notes to financial statements.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

1. Description of Agency and summary of significant accounting policies:

Description of Agency:

Extended Housing, Inc. (Agency) was incorporated in 1983, as a private, non-profit corporation for the purpose of providing housing for individuals with social, emotional, intellectual and/or physical disabilities. The Agency owns and manages several multi-family apartment facilities in Lake County, Ohio.

The Agency's mission is to prevent and end homelessness for individuals in Lake County with a serious mental illness. Governed by a Board of Directors, the Agency is certified by the Ohio Mental Health and Addiction Services and receives funding and support from the Lake County Alcohol, Drug Addiction and Mental Health Services (ADAMHS) Board. The Agency receives a substantial portion of its revenue funded by the purchase of services or contracts with ADAMHS. These are renewable contracts through June 30, 2020 which were subsequently renewed through June 30, 2022.

The Agency's programs include the following:

Management Owned Properties:

The Agency owns and manages 18 residential housing facilities in Lake County, Ohio, consisting of two group homes, one residential care home, seven condominiums, five apartment buildings, and three single homes (attached to one of these homes are three one-bedroom apartments). These facilities provide housing for individuals with social, emotional, intellectual and/or physical disabilities. Funding for the operation of these facilities is provided primarily by tenant rents.

The Agency's Property Acquisition & Management department is responsible for the upkeep and routine maintenance of these properties, as well as the Agency's nineteenth property, the Extended Housing Wellness Center (EHWC), formerly known as the Hillside Professional Center. The EHWC was purchased by the Agency in 2012, and the Agency's operations are located on the third floor. Approximately three-quarters of the building is occupied by nonprofit, nonclinical services and other nonprofits are in consideration. The EHWC is a collaboration of non-profit organizations that focus on supporting and developing community wellness.

Residential Care:

North Coast House is a voluntary transitional housing program, which serves adult residents in Lake County with severe mental illness. Individuals requesting services at North Coast House often have a long history of psychiatric hospitalizations and demonstrate a history of being unable to live independently. The program also serves those who are homeless and in need of short term, transitional residential services. North Coast House provides 24-hour staff presence to assist residents in developing and implementing daily living skills and in utilizing community resources. North Coast House provides ongoing individual programming within the residential setting based on the resident's needs and desires. The ultimate goal of North Coast House is for residents to take what they have learned in the home and utilize the skills in an independent living environment. The Agency transitioned the operations of North Coast House to another non-profit organization during the fiscal year ended June 30, 2021.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

1. Description of Agency and summary of significant accounting policies (continued):

McNaughton Apartments:

McNaughton Place Apartments is a 12-unit apartment complex located in Painesville, Ohio. During 2017, the apartment complex was converted through attrition from a 21-bed, 12-unit apartment complex to a 12-unit complex with nine of the units having a den. This Project is owned by the Agency and provides housing for income eligible individuals with social, emotional, intellectual and/or physical disabilities. Funding for this program is provided by the U.S. Department of Housing and Urban Development (HUD).

McKinley Grove Apartments:

McKinley Grove Apartments is a 17-bed apartment complex located in Painesville, Ohio. Construction of the apartment complex was completed in 2013 with tenant housing beginning on June 28, 2013. This is the Agency's first supportive housing with services available on-site. The Agency's Property Maintenance and Management department relocated their office to McKinley Grove.

Rental Subsidy Programs:

The purpose of these programs is to assist individuals with severe and persistent mental illness to obtain and maintain permanent community housing. Funding for these programs is provided by the Lake County ADAMHS Board and the HOME Program through the Lake County Board of Commissioners. In addition, housing loans are available to assist with a security deposit or first month's rent.

PATH Program:

The purpose of this program is to link newly identified mentally ill, homeless individuals with mental health and housing services. The program also provides vouchers, bus tokens, blankets, food and other emergency supplies to homeless individuals. Funding for this program is provided by the Lake County ADAMHS Board and the U.S. Federal government.

Permanent Supportive Housing Program:

This program provides support staff to the Agency through a housing operations grant from the Ohio Development Services Agency. These positions at the Agency are integral in providing permanent supportive housing within the Agency's mission and consist of a Housing Assistant, Fiscal Assistant, and Property Management Assistant.

Continuum of Care Programs:

These programs provide rental assistance to hard-to-serve homeless individuals with disabilities in connection with supportive services funded from sources outside the program. Funding for these programs is provided by HUD.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

1. Description of Agency and summary of significant accounting policies (continued):

Housing Support Workers:

The Housing Support Workers (HSW) grant enables the Agency to employ three full-time employees to provide support to low-income tenants within the Agency's programs to obtain and maintain housing. Agency staff provides housing support to tenants and program recipients through wellness checks, referrals, advocacy, and linkage to other services. These employees work with landlords, secure housing, and explain tenants' rights and responsibilities to individuals regarding these programs.

The first employee manages the housing subsidies with outside landlords and tenant housing loans. The second employee manages housing subsidies for tenants in the Agency's properties, HOME tenant based rental assistance for veterans with mental illness, McNaughton Apartments, and assists with housing placement in the Agency's properties. The third employee manages all Continuum of Care programs and participates in Mental Health Court to assist those in need of housing.

Emergency Housing Voucher Program:

The purpose of this program is to provide housing to the most chronic severely mentally ill individuals in Lake County whose symptoms are exacerbated by chronically unstable living conditions. There are many determining factors that must apply for individuals to become eligible to participate in the program. Treatment is also provided to ensure particular goals can be met to prepare the individuals for when more permanent housing becomes available to them. Funding for this program is provided by the Lake County ADAMHS board.

Accounting basis:

The accompanying financial statements have been prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as prescribed in the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Not-for-Profit Entities*.

Financial statement presentation:

The Agency classifies net assets, revenues, gains and other support and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported in two categories as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Agency's management and the Board of Directors.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

1. Description of Agency and summary of significant accounting policies (continued):

Financial statement presentation (continued):

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Agency currently does not have any funds that are restricted in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and net assets. In 2019, net assets totaling \$396 were released from donor restriction due to the satisfaction for the restricted purpose of the Homeless Advocacy Council.

Property and equipment:

Property and equipment is stated at cost, or in the case of contributed property, at fair market value as of the date of the contribution. Renewals and betterments are capitalized. The costs of maintenance and repairs are charged to expense as incurred. Gains and losses on asset retirement or disposition are reflected in the statements of activities and net assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

Land improvements	15 – 35 years
Buildings and building improvements	15 – 35 years
Furniture and fixtures	5 – 15 years
Equipment and software	5 – 15 years
Vehicles	5 years

Grants, other receivables and deferred revenue:

The funds due from various funding sources under grants and reimbursement contracts are recognized as revenue in the accounting period when the expenditures are incurred and the grant funds are earned. Grants receivable represent expended grant award funds due to the Agency.

Receivables are recorded at the amount expected to be collected. In evaluating the collectability of receivables, the Agency considers a number of factors, including the age of the accounts, changes in collection patterns, the composition of accounts and general industry conditions. An allowance for doubtful accounts is recorded based upon a consideration of the likelihood that accounts will not be collected in full. The Agency has provided an allowance for doubtful of accounts of \$25,000 at June 30, 2020 and \$15,000 at June 30, 2019.

Deferred revenue consists of cash received for grants that have not been earned and/or expended at year end.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

1. Description of Agency and summary of significant accounting policies (continued):

Functional allocation of expenses:

The costs of providing program activities have been summarized on a functional basis in the statements of functional expenses. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include personnel expenses (i.e. salaries and wages, payroll taxes and benefits) and administrative expenses. Personnel expenses are allocated based on job description and time and effort. Administrative expenses, if not directly identifiable by program or support service, are allocated on best estimate of management.

Income taxes:

The Agency is a private, non-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. None of the Agency's present or anticipated future activities are subject to taxation as unrelated business income. Therefore, no provision for income taxes has been made in the accompanying financial statements.

Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates and assumptions.

Recent accounting pronouncements:

In May 2014, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The guidance in this ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the FASB Accounting Standards Codification (ASC). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps, (1) identify the contract(s), (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. FASB issued ASU No. 2020-05 in June 2020 to provide nonpublic companies who have not adopted ASU 2014-09 another year to adopt this ASU. Therefore, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2019 and as a result, the Agency will be required to adopt and implement this standard for its fiscal year ended June 30, 2021.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

1. Description of Agency and summary of significant accounting policies (continued):

Recent accounting pronouncements (continued):

In February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize assets and liabilities on the statement of financial position for leases with lease terms greater than twelve months. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. This ASU amends current guidance that requires only capital leases to be recognized on the lessee's statement of financial position. The ASU will also require additional disclosures on the amount, timing and uncertainty of cash flows arising from leases. However, the accounting applied by a lessor is largely unchanged from that under the previous accounting guidance in Topic (840) *Leases*. Changes to the lessor accounting guidance were made to: (1) align the lessor accounting with specific changes made to the lessee accounting guidance such as certain glossary terms that are applied by lessees and lessors and (2) align key aspects of the lessor accounting model with the new revenue recognition guidance (Topic 606). FASB issued ASU No. 2020-05 in June 2020 to provide nonpublic companies who have not adopted ASU 2016-02 another year to adopt this ASU. Therefore, ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021 and as a result, the Agency will be required to adopt and implement this standard for its fiscal year ended June 30, 2023.

Management is in the process of determining the impact that the above ASUs will have on its financial statements, and will adopt the provisions of these new standards upon the respective effective dates.

Recently adopted accounting pronouncements:

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The objective of this ASU will assist entities in (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. For transactions in which an entity is the resource recipient, the ASU is effective for fiscal years beginning after December 15, 2018, therefore the Agency was required to adopt and implement this standard for the year ended June 30, 2020. There was no significant impact to the Agency's financial statements in implementing the resource recipient provision of this standard. For transactions in which the entity serves as a resource provider, the ASU is effective for fiscal years beginning after December 15, 2019 and, therefore, the Agency will be required to adopt the resource provider provision of this standard for its fiscal year ended June 30, 2021.

In November 2016, FASB issued No. 2016-18, *Statement of Cash Flows* (Topic 230). The amendments to this ASU require that a statement of cash flows detail the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts presented on the statement of cash flows. This standard was effective for nonpublic companies for fiscal year beginning after December 15, 2018 and, therefore, the Agency adopted and implemented this standard for the year ended June 30, 2020. The Agency adopted the provisions of this ASU using the retrospective method thereby restating (increasing) cash and restricted cash on the statement of cash flows by \$163,299 at July 1, 2018 and \$150,683 at July 1, 2019.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

1. Description of Agency and summary of significant accounting policies (continued):

Reclassification:

Certain amounts included in the 2019 financial statements have been reclassified to conform with the 2020 presentation.

Subsequent events:

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through February 25, 2022, the date the Agency's financial statements were available to be issued.

2. Cash, Board restricted reserve:

The Board of Directors has restricted certain funds for repairs and improvements of management owned properties. The Board of Directors may, at its discretion, subsequently determine to use the cash for other purposes. This reserve totaled \$63,523 at June 30, 2020 and \$45,319 at June 30, 2019.

3. Restricted deposits and funded reserves:

McNaughton Apartments operates under Section 202 of the National Housing Act. Such projects are regulated by HUD as to rent charges and operating methods. Under the terms of the regulatory agreement with HUD, McNaughton Apartments is required to establish and maintain a reserve to cover the cost of property replacements. The reserve for replacements totaled \$67,842 at June 30, 2020 and \$58,640 at June 30, 2019. These amounts are held in a separate bank account and are generally not available for operating purposes.

McKinley Grove is required to maintain reserves to cover the cost of property replacements. These deposits are held in a separate bank account and totaled \$53,289 at June 30, 2020 and \$46,724 at June 30, 2019.

4. Grants and other receivables:

Grants and other receivables consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Lake County HOME Program	\$ 14,484	\$ 16,680
HUD Continuum of Care Program	107,375	131,224
Ohio Development Services Agency	52,500	19,438
Lake County ADAMHS Board	9,450	
PEG Foundation	16,000	
Ohio Department of Mental Health and Addiction Services (Ohio MHAS)	<u>81,859</u>	
	<u>\$ 281,668</u>	<u>\$ 167,342</u>

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

5. Line of credit and advance payable, loan payable and long-term debt:

Advance payable:

During 2020, the Agency received a \$71,000 non-Medicaid non-interest bearing advance from the Lake County ADAMHS Board for the elevator project to be repaid from the Ohio MHAS forgivable loan. This advance was repaid during the fiscal year ending June 30, 2021.

Line of credit:

The Agency has a \$200,000 line of credit from a bank payable on demand. The interest rate is based on the prime rate plus .5% and was at 3.75% at June 30, 2020 and 6.00% at June 30, 2019. The line of credit is collateralized by certain real property including assignment of rentals on such property. Outstanding borrowings under the line of credit totaled \$173,000 at June 30, 2020 and \$129,000 at June 30, 2019.

Loan payable:

During the year ended June 30, 2019, the Agency received a \$25,500 (total loan to be drawn upon is \$35,000) loan from Corporation for Supportive Housing (CSH) to finance the predevelopment expenses associated with development of 12 to 21 bedroom units on a single site. The loan is to be repaid by the earlier of the closing of predevelopment or construction financing or 36 months from anticipated closing. The note is noninterest bearing and the loan has full recourse against the Agency. The loan may be forgiven upon written request by the Agency in the event that the project is unable to proceed through no fault of the Agency, however such forgiveness is the sole discretion of the CSH. Based on the terms of the loan, the loan has been classified as noncurrent in the statements of financial position.

Long-term debt:

Long-term debt consists of the following at June 30, 2020 and 2019:

	2020	2019
Various non-interest bearing notes, payable to Ohio MHAS, principal portion to be forgiven in equal monthly amounts; amounts to be forgiven annually of \$63,704 in 2021 through 2025 and \$930,394 thereafter, (see (A) below)	\$ 1,244,876	\$ 1,105,894
Insured mortgage note, payable to HUD, in monthly installments of \$3,732, including interest at 9.25% per annum, through May 2027. Secured by related property	228,177	250,708

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

5. Line of credit and advance payable, loan payable and long-term debt (continued):

Long-term debt (continued):

	2020	2019
Mortgage note, bank, payable in monthly installments of \$1,372, including interest at 5.67% per annum beginning December 2017 through December 2027. Secured by related property, including assignment of rentals on such property	100,119	110,485
	1,573,172	1,467,087
Less current portion of:		
Ohio MHAS forgivable notes	63,704	56,669
Other long-term debt	35,705	32,900
	\$ 1,473,763	\$ 1,377,518

(A) The non-interest bearing notes payable to Ohio MHAS are being forgiven annually over 30 or 40 years, providing there are no violations of any loan covenants associated with these agreements. These loan covenants require, among other things, that the related properties be continuously used for the purpose they were originally intended, that the Agency remains in compliance with the laws of the State of Ohio and the administrative rule of Ohio MHAS, and that all tax and insurance payments are made on a timely basis. As of June 30, 2020 and 2019, the Agency was in compliance with the Ohio MHAS loan covenants.

Future maturities of long-term debt, excluding the forgivable notes payable to Ohio MHAS and the CHS loan payable are as follows:

Year ending June 30,	Amount
2021	\$ 35,705
2022	38,739
2023	42,041
2024	45,628
2025	49,552
Thereafter	116,631
	\$ 328,296

6. Retirement benefits:

The Agency has established a Simplified Employee Pension (SEP) plan in order to provide retirement benefits to eligible employees. Contributions to the plan are made at the discretion of the Agency's Board of Directors. There was no contribution expense in 2020 and contribution expense of 14,901 in 2019.

In addition, the Agency provides 403(b) Retirement Plan Salary Reduction Arrangements for employees. All employee contributions are self-directed. The Agency does not contribute to these arrangements.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

7. Lease commitments:

The Agency leases equipment under certain non-cancelable operating lease agreements. The leases are properly treated as operating leases.

The Agency has entered into four operating lease agreements with non-profit organizations with various lease terms. Each lease provides the nonprofit organization the option to extend the lease. The lessee under the ten-year lease has the right to terminate the lease based on certain conditions occurring (as defined in the lease agreement) during the term of the agreement.

Rent income under these leases was \$61,568 in 2020 and \$50,472 in 2019.

Future minimum rental revenue receipts are as follows:

2021	\$	61,389
2022		58,249
2023		44,847
2024		45,244
2025		46,869
Thereafter		<u>48,998</u>
	<u>\$</u>	<u>305,596</u>

8. Net assets with donor restrictions:

Net assets with donor restrictions are available for the following purposes at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
McKinley Grove construction (A)	\$ 2,215,051	\$ 2,215,051
Real property rehabilitations with donor restrictions (B)	273,664	273,664
New housing project	<u>25,000</u>	<u> </u>
	<u>\$ 2,513,715</u>	<u>\$ 2,488,715</u>

(A) Net assets relate to the McKinley Grove construction provided by various funding agencies that restricts the operations of the apartment complex to house income eligible individuals with social, emotional, intellectual and/or physical disabilities for various terms. These temporary restrictions expire as follows: \$52,780 in July 2023; \$417,286 in July 2028; \$894,985 in July 2033; and, \$850,000 in January 2045. The Agency was in compliance with all restrictions through June 30, 2020.

(B) Net assets relate to real property rehabilitations and include restriction from the donor that the related properties must remain for the specific purpose for ten years from the date of rehabilitation. These restrictions are set to expire in September 2020. The Agency was in compliance with all restrictions through June 30, 2020.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

9. Concentration of risk:

The Agency maintains its cash in various local bank accounts. The Agency, throughout the year and at June 30, 2020 and 2019, had cash, including outstanding checks, on deposit at banks in excess of federally insured limits.

Grants receivable are due from governmental agencies.

The Agency's operations are concentrated in providing housing to individuals with social, emotional, intellectual and/or physical disabilities. In addition, the Agency operates in a heavily regulated environment. The operations of the Agency are subject to the administrative directives, rules and regulations of various Federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes can occur with little notice or inadequate funding to pay for the related costs, including the additional administrative burden, to comply with the changes.

A significant portion of the Agency's revenue and other support is from the following sources for the years ended June 30, 2020 and 2019. Total amounts by source and percentage of total revenue are as follows:

<u>Revenue source</u>	2020		2019	
	Amount	Percent	Amount	Percent
Lake County, ADAMHS Board	\$ 1,370,999	44%	\$ 1,512,068	47%
U.S. Department of Housing and Urban Development	874,007	28	750,341	24
	\$ 2,245,006	72%	\$ 2,262,409	71%

Total grants receivable related to the above sources of revenue and support at June 30, 2020 and 2019 are as follows:

<u>Revenue source</u>	2020	2019
Lake County ADAMHS Board	\$ 9,450	\$ 131,224
U.S. Department of Housing and Urban Development	107,375	
	\$ 116,825	\$ 131,224

10. Related party transaction:

During the years ended June 30, 2020 and 2019, an entity owned by a member (now a former member) of the Board of Directors leased multiple properties to various residents being assisted by Extended Housing, Inc. The rental assistance expenditures of these transactions were charged to various programs of the Agency. Amounts paid to the related party by the Agency totaled \$1,057 in 2020 and \$17,557 in 2019.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

11. Liquidity and availability:

The Agency's financial assets available within one year of the statements of financial position as of June 30, 2020 and 2019 for general expenditures are as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ 394,348	\$ 245,157
Accounts, grants and other receivables	<u>304,786</u>	<u>177,842</u>
	<u>\$ 699,134</u>	<u>\$ 422,999</u>

As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Agency has a line of with availability of up to \$200,000, which it could draw upon.

12. Statements of cash flows

Supplemental cash flow information:

Cash paid for interest totaled \$37,830 in 2020 and \$33,484 in 2019.

Due to the Company's implementation of ASU No. 2016-08, cash and restricted cash included in the statements of cash flows at June 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Cash	\$ 394,348	\$ 245,157
Cash, board restricted reserve	63,523	45,319
Restricted deposits and funded reserves	<u>121,131</u>	<u>105,364</u>
Total cash and restricted cash	<u>\$ 579,002</u>	<u>\$ 395,840</u>

EXTENDED HOUSING, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
Direct Awards:			
Section 202 Direct Loan	14.157		\$ 250,708
Section 8 Housing Assistance Payment Program	14.182		148,375
Pass-through from Lake County ADAMHS Board:			
Continuum of Care Program	14.267	34-6001618	586,448
Pass-through from Lake County Board of Commissioners:			
HOME Investment Partnership Program	14.239	34-6001618	<u>39,184</u>
Total, U.S. Department of Housing and Urban Development			<u>1,024,715</u>
U.S. Department of Health and Human Services:			
Pass-through from Lake County ADAMHS Board:			
Projects in Transition from Homelessness (PATH) Program	93.150	34-6001618	109,489
Pass through from Lake County ADAMHS Board:			
Community Mental Health Block Grant	93.958	34-6001618	<u>60,000</u>
Total U.S. Department of Health and Human Services			<u>169,489</u>
			<u>\$ 1,194,204</u>

EXTENDED HOUSING, INC. NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

Note A – Basis of presentation:

The accompanying schedule of expenditures of Federal awards includes the Federal award activity of Extended Housing, Inc. under programs of the Federal government for the year ended June 30, 2020. The formation 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 Extended Housing, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Extended Housing, Inc.

EXTENDED HOUSING, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2020

Note B – Summary of significant accounting policies:

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*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect cost rate:

The Agency has elected not to use the 10 percent de minimus cost rate as allowed under the *Uniform Guidance*.

Note D – U.S. Department of Housing and Urban Development capital advance program:

Extended Housing, Inc. has received a U.S. Department of Housing and Urban Development capital advance under Section 202 of the National Housing Act. The capital advance balance outstanding at the beginning of the year is included in the Federal expenditures presented in the schedule. Extended Housing, Inc. received no additional advances or loans during the year. The balance of the capital advance outstanding at June 30, 2020 consists of:

CFDA Number	Program Name	Outstanding Balances at June 30, 2020
14.157	Section 202 Capital Advance (HUD)	<u>\$ 228,177</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*

Board of Directors
Extended Housing, Inc.
Painesville, Ohio

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 Extended Housing, Inc. (a non-profit agency), which comprises the statement of financial position as of June 30, 2020, and the related statements of activities and net assets, functional expenses, and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated February 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Extended Housing, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Extended Housing, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Extended Housing, 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Extended Housing, 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 direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Extended Housing, Inc.'s Response to the Finding

Extended Housing, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Extended Housing, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "HW&C." The letters are stylized and cursive.

Cleveland, Ohio
February 25, 2022

Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by the *Uniform Guidance*

Board of Directors
Extended Housing, Inc.
Painesville, Ohio

Report on Compliance for Each Major Federal Program

We have audited Extended Housing, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Extended Housing, Inc.'s major Federal program for the year ended June 30, 2020. Extended Housing, Inc.'s major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Extended Housing, Inc.'s major Federal program 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 *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 Extended Housing, 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 for the major Federal program. However, our audit does not provide a legal determination of Extended Housing, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Extended Housing, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Extended Housing, 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 Extended Housing, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its major Federal program and to test and report on internal control over compliance in accordance with *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 Extended Housing, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

A handwritten signature in black ink that reads "HW & Co." in a cursive, stylized font.

Cleveland, Ohio
February 25, 2022

EXTENDED HOUSING, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unmodified

Internal control over financial reporting:

- ◆ Material weakness(es) identified? Yes X No
- ◆ Significant deficiency(ies) identified? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Award

Internal control over major program:

- ◆ Material weakness(es) identified? Yes X No
- ◆ Significant deficiency(ies) identified? Yes X None reported

Type of auditor’s report issued on compliance for major program: unmodified

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR Section 200.516(a)? Yes X No

Identification of major program:

CFDA Number

14.267

Name of Federal Program or Cluster

Continuum of Care Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

- ◆ Auditee qualified as low-risk auditee? X Yes No

EXTENDED HOUSING, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

Section II – Financial Statement Finding

Significant Deficiency

2020-001: General Accounting Matters

Condition: A number of journal entries are recorded through the year-end audit process since a number of account reconciliations were not prepared and/or differences were not resolved on a timely basis.

Criteria: A good system of internal control requires that management have an adequate understanding of all accounting matters affecting the operations of their organization and that timely account reconciliations are performed throughout the year.

Cause: Management feels that these year audit adjustments and account reconciliation differences were the result of the turnover in the Director of Business Operations and Finance position.

Effect: The effect of this deficiency is that misstatements may not be identified and corrected on a timely basis.

Recommendation: We recommend that all account reconciliations are timely prepared and, where possible record all adjustments prior to the year-end audit process.

View of Responsible Officials and Planned Corrective

Action: Management agrees with the finding and feels that as the Director of Business Operations and Finance gains more experience with the Agency and its operations including the accounting system that these adjustments and account reconciliation differences will not reoccur to the extent that they occurred during the year ended June 30, 2020.

Section III – Major Federal Award Findings and Questioned Costs

No findings were noted.