

Extended Housing, Inc.

YEARS ENDED JUNE 30, 2022 AND 2021

EXTENDED HOUSING, INC.

YEARS ENDED JUNE 30, 2022 AND 2021

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Independent Auditor's Report

Board of Directors
Extended Housing, Inc.
Painesville, Ohio

Opinion

We have audited the accompanying financial statements of Extended Housing, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Extended Housing, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Extended Housing, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Extended Housing, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Extended Housing, Inc.'s ability to continue as a going concern for a reasonable period of time.

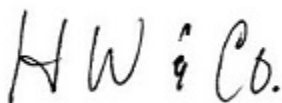
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on pages 21 and 22, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.



Cleveland, Ohio
November 30, 2022

EXTENDED HOUSING, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
Current assets:		
Cash	\$ 172,328	\$ 316,431
Cash, board restricted reserve	41,940	83,087
Accounts receivable, net of allowance	53,835	20,917
Grants and other receivables	171,697	220,341
Prepaid expenses	1,799	9,713
Total current assets	441,599	650,489
Deposits held in trust - funded:		
Tenant security deposits	40,148	44,888
Restricted deposits and funded reserves:		
Restricted reserves	64,256	57,395
Reserve for replacements (HUD)	59,071	76,183
Total restricted deposits and funded reserves	123,327	133,578
Property and equipment, net:		
Land and land improvements	717,292	720,592
Building and building improvements	7,039,188	6,979,071
Furniture and fixtures	403,278	403,008
Equipment and software	207,897	198,258
Vehicles	71,715	71,715
	8,439,370	8,372,644
Less accumulated depreciation	3,976,826	3,672,779
Total property and equipment, net	4,462,544	4,699,865
Construction-in-progress	1,715	117
Total assets	\$ 5,069,333	\$ 5,528,937

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities:		
Line of credit	\$ 114,184	\$ -
Small Business Administration (SBA) Paycheck Protection Program forgivable loan	-	160,750
Accounts payable, trade	22,756	75,301
Accrued expenses:		
Payroll and payroll related expenses	48,963	114,653
Real estate taxes	5	556
Interest	2,049	1,568
Due to grantor	9,814	41,283
Refundable advances	-	99,802
Other current liabilities	15,137	32,321
Current portion of:		
Ohio Mental Health and Addiction Services forgivable notes	63,434	63,434
Other long-term debt	42,041	38,737
Loan payable	-	25,500
	318,383	653,905
 Deposit liabilities:		
Tenant security deposits	40,148	44,888
 Long-term liabilities, less current portion:		
Ohio Mental Health and Addiction Services forgivable notes	1,082,247	1,118,009
Other long-term debt	157,855	203,846
	1,240,102	1,321,855
 Total liabilities	1,598,633	2,020,648
 Net assets:		
Without donor restrictions	1,185,349	1,174,155
With donor restrictions	2,285,351	2,334,134
	3,470,700	3,508,289
 Total liabilities and net assets	\$ 5,069,333	\$ 5,528,937

See notes to financial statements.

EXTENDED HOUSING, INC.

STATEMENTS OF ACTIVITIES AND NET ASSETS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:						
Rental revenue	\$ 508,444	\$ -	\$ 508,444	\$ 500,390	\$ -	\$ 500,390
Federal programs revenue	915,614	16,900	932,514	965,535	23,900	989,435
State and local programs revenue	1,077,833	-	1,077,833	1,240,859	-	1,240,859
Amortization of forgivable notes	63,391	-	63,391	63,433	-	63,433
Tenant charges	12,214	-	12,214	17,189	-	17,189
SBA Paycheck Protection Program loan forgiveness (Note 13)	160,750	-	160,750	-	-	-
Employee retention credits (Note 14)	115,104	-	115,104	-	-	-
Other	93,145	-	93,145	56,036	-	56,036
	<u>2,946,495</u>	<u>16,900</u>	<u>2,963,395</u>	<u>2,843,442</u>	<u>23,900</u>	<u>2,867,342</u>
Total revenue and other support						
	2,946,495	16,900	2,963,395	2,843,442	23,900	2,867,342
Net assets released from restrictions	65,683	(65,683)	-	203,481	(203,481)	-
	<u>3,012,178</u>	<u>(48,783)</u>	<u>2,963,395</u>	<u>3,046,923</u>	<u>(179,581)</u>	<u>2,867,342</u>
Expenses:						
Programs:						
Management owned properties	585,986	-	585,986	441,975	-	441,975
Residential care	-	-	-	158,814	-	158,814
McNaughton apartments	228,301	-	228,301	116,628	-	116,628
McKinley Grove apartments	185,878	-	185,878	163,477	-	163,477
Rental subsidy programs	355,182	-	355,182	389,171	-	389,171
PATH program	162,903	-	162,903	218,785	-	218,785
Permanent supportive housing program	194,139	-	194,139	178,894	-	178,894
Continuum of care programs	458,315	-	458,315	549,770	-	549,770
Housing support workers	201,506	-	201,506	214,751	-	214,751
Emergency housing voucher program	143,723	-	143,723	139,385	-	139,385
Management and general	465,038	-	465,038	254,357	-	254,357
Fundraising	19,963	-	19,963	2,727	-	2,727
	<u>3,000,934</u>	<u>-</u>	<u>3,000,934</u>	<u>2,828,734</u>	<u>-</u>	<u>2,828,734</u>
Total expenses						
	3,000,934	-	3,000,934	2,828,734	-	2,828,734
Increase (decrease) in net assets from operations	11,244	(48,783)	(37,539)	218,189	(179,581)	38,608
Write off of new housing project costs (Note 1)	(50)	-	(50)	(52,225)	-	(52,225)
	<u>11,194</u>	<u>(48,783)</u>	<u>(37,589)</u>	<u>165,964</u>	<u>(179,581)</u>	<u>(13,617)</u>
Increase (decrease) in net assets						
	11,194	(48,783)	(37,589)	165,964	(179,581)	(13,617)
Net assets, beginning	1,174,155	2,334,134	3,508,289	1,008,191	2,513,715	3,521,906
	<u>1,174,155</u>	<u>2,334,134</u>	<u>3,508,289</u>	<u>1,008,191</u>	<u>2,513,715</u>	<u>3,521,906</u>
Net assets, ending	<u>\$ 1,185,349</u>	<u>\$ 2,285,351</u>	<u>\$ 3,470,700</u>	<u>\$ 1,174,155</u>	<u>\$ 2,334,134</u>	<u>\$ 3,508,289</u>

See notes to financial statements.

EXTENDED HOUSING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services									Supporting Services			
	Management Owned Properties	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	\$ 180,788	\$ 26,413	\$ 20,578	\$ 35,291	\$ 109,663	\$ 174,701	\$ 35,309	\$ 169,257	\$ -	\$ 752,000	\$ 160,732	\$ -	\$ 912,732
Client assistance:													
Rents and utilities	-	-	-	292,706	24,799	-	402,579	-	120,811	840,895	-	-	840,895
HAP loan expense	-	-	-	8,353	-	-	-	-	-	8,353	-	-	8,353
Program supplies and food	-	-	-	-	-	-	-	-	-	-	-	-	-
Building occupancy, maintenance, and repairs	124,800	113,052	44,638	-	-	-	-	-	-	282,490	31,557	-	314,047
Administrative	28,391	12,344	6,065	17,527	19,214	17,137	17,137	26,433	13,098	157,346	165,049	-	322,395
Utilities	88,330	23,979	29,450	-	344	-	-	-	-	142,103	30,777	-	172,880
Taxes and insurance	14,478	3,003	7,875	1,305	432	1,305	1,305	1,305	-	31,008	9,062	-	40,070
Interest	-	17,973	-	-	-	-	-	-	-	17,973	4,825	-	22,798
Travel and vehicle expenses	10,828	-	-	-	5,731	457	1,935	4,281	-	23,232	-	-	23,232
Other	4,947	849	-	-	2,720	539	50	230	9,814	19,149	373	19,963	39,485
Total expenses before depreciation	452,562	197,613	108,606	355,182	162,903	194,139	458,315	201,506	143,723	2,274,549	402,375	19,963	2,696,887
Depreciation	133,424	30,688	77,272	-	-	-	-	-	-	241,384	62,663	-	304,047
Total expenses	\$ 585,986	\$ 228,301	\$ 185,878	\$ 355,182	\$ 162,903	\$ 194,139	\$ 458,315	\$ 201,506	\$ 143,723	\$ 2,515,933	\$ 465,038	\$ 19,963	\$ 3,000,934

See notes to financial statements.

EXTENDED HOUSING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	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	\$ 135,766	\$ 102,032	\$ 12,385	\$ 14,056	\$ 38,732	\$ 136,644	\$ 152,080	\$ 60,258	\$ 161,697	\$ -	\$ 813,650	\$ 78,020	\$ -	\$ 891,670
Client assistance:														
Rents and utilities	-	-	-	-	316,521	23,099	-	447,276	-	131,384	918,280	-	-	918,280
HAP loan expense	-	-	-	-	9,572	-	-	-	-	-	9,572	-	-	9,572
Program supplies and food	-	7,149	-	-	-	-	-	-	-	-	7,149	-	-	7,149
Building occupancy, maintenance, and repairs	63,203	25,529	22,919	28,321	-	-	-	-	-	-	139,972	20,983	-	160,955
Administrative	15,331	9,674	5,680	6,173	21,530	57,912	25,448	42,174	48,100	8,001	240,023	46,678	-	286,701
Utilities	65,673	11,663	21,537	26,052	-	538	-	-	-	-	125,463	27,863	-	153,326
Taxes and insurance	14,851	1,992	3,706	10,223	21	170	235	62	262	-	31,522	9,687	-	41,209
Interest	-	-	21,190	-	-	-	-	-	-	-	21,190	9,742	-	30,932
Travel and vehicle expenses	5,864	-	-	-	-	264	938	-	2,019	-	9,085	-	-	9,085
Other	5,865	775	1,090	270	2,795	158	193	-	2,673	-	13,819	-	2,727	16,546
Total expenses before depreciation	306,553	158,814	88,507	85,095	389,171	218,785	178,894	549,770	214,751	139,385	2,329,725	192,973	2,727	2,525,425
Depreciation	135,422	-	28,121	78,382	-	-	-	-	-	-	241,925	61,384	-	303,309
Total expenses	\$ 441,975	\$ 158,814	\$ 116,628	\$ 163,477	\$ 389,171	\$ 218,785	\$ 178,894	\$ 549,770	\$ 214,751	\$ 139,385	\$ 2,571,650	\$ 254,357	\$ 2,727	\$ 2,828,734

See notes to financial statements.

EXTENDED HOUSING, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (37,589)	\$ (13,617)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	304,047	303,309
Amortization of forgivable notes	(63,391)	(63,433)
Bad debt expense	-	4,006
Write off of new housing project costs	50	52,225
SBA Paycheck Protection Program loan forgiveness	(160,750)	-
Decrease (increase) in operating assets:		
Accounts receivable	(32,918)	(1,805)
Grants and other receivables	48,644	61,327
Prepaid expenses	7,914	12,673
Increase (decrease) in operating liabilities:		
Accounts payable	(52,545)	4,187
Accrued payroll and payroll related expenses	(65,690)	(17,965)
Accrued real estate taxes	(551)	(954)
Accrued interest	481	(799)
Refundable advances	(99,802)	(47,088)
Due to grantor	(31,469)	(45,761)
Other current liabilities	(17,184)	25,448
	<u>(200,753)</u>	<u>271,753</u>
 Cash flows from investing activities:		
Capital expenditures, including construction-in-progress	(68,374)	(148,696)
	<u>(68,374)</u>	<u>(148,696)</u>
 Cash flows from financing activities:		
Proceeds from SBA Paycheck Protection Program forgivable loan	-	160,750
Payments on long-term debt	(40,558)	(85,713)
Line of credit and advance payable borrowings (payments), net	114,184	(244,000)
	<u>73,626</u>	<u>(168,963)</u>
 Net decrease in cash and restricted cash	<u>(195,501)</u>	<u>(45,906)</u>
 Cash and restricted cash, beginning	<u>533,096</u>	<u>579,002</u>
 Cash and restricted cash, ending	<u>\$ 337,595</u>	<u>\$ 533,096</u>

See notes to financial statements.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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 have been subsequently renewed through June 30, 2023.

Effective, June 2019, the Agency entered into an agreement with a Professional Employer Organization (PEO) whereas all of the Agency's employees will be considered shared employees of both organizations.

The Agency's programs include the following:

Management Owned Properties:

The Agency owns and manages 19 residential housing facilities in Lake County, Ohio, consisting of two group homes, one residential care home (operated by a nonrelated non-profit organization), seven condominiums, six 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 twentieth 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 nonprofit organizations. 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, however, the Agency continues to own and manage this property.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2022 AND 2021

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 Support 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, 2022 AND 2021

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 persons coming from domestic violence 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.

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.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2022 AND 2021

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

Financial statement presentation (continued):

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. During 2022, net assets totaling \$65,683 were released from donor restriction due to the satisfaction for the restricted purpose. During 2021, net assets totaling \$203,364 were released from donor restriction due to the expiration of the time restriction and \$117 were released due to the satisfaction for the restricted purpose.

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

During the last several years, the Agency incurred initial development and other costs in investigating a new housing project in Lake County. One funding source for the proposed new project is the Home Investment Partnership Program (HOME). This is a U. S. Department of Housing and Urban Development (HUD) program awarded annually to Board of Lake County Commissioners. In order to award and commit any Community Housing Development Organization (CHDO) project funds a contract between the Board of Lake County Commissioners and the Agency must include a specific location. CHDO operating funds were awarded to Agency as permitted by HOME regulations and HUD COVID-19 waiver memo.

In seeking the site control of a specific location, the Agency incurred initial development and other costs relating to this project totaling \$52,275, which \$50 were written off by the Agency during 2022 and \$52,225 during 2021. The Lake County Board of Commissioners committed and funded the Agency with HOME CHDO Operating funds to offset these costs incurred by the Agency, which are included in federal program revenue in the 2021 statement of activities and net assets. The Agency is continuing to investigate other locations and funding sources for a new housing project.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2022 AND 2021

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

Grants, contributions, other receivables and refundable advances:

The Agency receives grants from Federal, state and local government sources under a variety of programs. Amounts received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. The funds due from various funding sources under grants and reimbursement contracts are recognized as revenue in the accounting period when the terms and conditions specified in the respective agreement is satisfied, such as when qualifying program expenditures are incurred and the grant funds are earned. Such expenditures are subject to review by the funding agency and may result in disallowance in subsequent periods if the terms and conditions are not allowed.

Contributions are recognized when promised and are considered without donor restrictions unless specifically restricted by the donor. Nongovernmental contributions and grants are recorded as support with donor restrictions, if they are received with donor stipulations that limit their use.

The Agency discloses conditional grants and contributions, which are those with a measurable performance or other barriers and a right of return, in its financial statements. They are not recognized until the conditions on which they depend have been met. Conditional grants that require the Agency to incur specific qualifying program expenditures totaled \$262,311 at June 30, 2022 and \$52,500 at June 30, 2021.

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 (including grants and contributions), 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 \$11,144 at June 30, 2022 and \$10,000 at June 30, 2021.

Refundable advances consist of cash received for grants that have not been earned and/or expended at year end, which totaled \$99,802 at June 30, 2021. The Agency did not have any refundable advances at June 30, 2022.

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.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2022 AND 2021

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

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 pronouncement:

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 ending June 30, 2023.

Management is in the process of determining the impact that the above ASU will have on its financial statements, and will adopt the provisions of this new standard upon its effective date.

Measure of operations:

The statements of activities and net assets report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Agency's ongoing programs. Nonoperating activities would be activities considered to be more unusual or nonrecurring.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2022 AND 2021

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 \$41,940 at June 30, 2022 and \$83,087 at June 30, 2021.

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 \$59,071 at June 30, 2022 and \$76,183 at June 30, 2021. 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 \$64,256 at June 30, 2022 and \$57,395 at June 30, 2021.

4. Grants and other receivables:

Grants and other receivables consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Lake County HOME Program	\$ -	\$ 10,310
HUD Continuum of Care Program	81,360	49,069
Ohio Development Services Agency	-	52,500
Lake County ADAMHS Board	90,337	19,864
Lake County CDBG Program	-	23,900
Lake County HOME CHDO OPS COVID Program	-	64,698
	<u>\$ 171,697</u>	<u>\$ 220,341</u>

5. Advance payable, line of credit, 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 ended June 30, 2021.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2022 AND 2021

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

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 5.25% at June 30, 2022 and 3.75% at June 30, 2021. The line of credit is collateralized by certain real property including assignment of rentals on such property. There were \$114,184 of outstanding borrowings under the line of credit at June 30, 2022 and no outstanding borrowings under the line of credit at June 30, 2021.

Loan payable:

During the year ended June 30, 2019, the Agency received a \$25,500 (total loan to be drawn upon was \$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 was to be repaid by the earlier of the closing of predevelopment or construction financing or 36 months from anticipated closing. The note was noninterest bearing and had full recourse against the Agency. The loan may have been 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. The Agency paid back the loan during 2022.

Long-term debt:

Long-term debt consists of the following at June 30, 2022 and 2021:

	2022	2021
Various non-interest bearing notes, payable to Ohio MHAS, principal portion to be forgiven in equal monthly amounts; amounts to be forgiven annually of \$63,434 in 2023 through 2025, \$61,457 in 2026, \$59,481 in 2027 and \$834,441 thereafter, (see (A) below)	\$ 1,145,681	\$ 1,181,443
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	176,652	203,462
Mortgage note, bank, payable in monthly installments of \$1,372, including interest at 5.67% per annum beginning December 2017 through December 2027. During 2021, the Agency paid an additional \$50,000 principal payment on the mortgage note. Secured by related property, including assignment of rentals on such property	<u>23,244</u>	<u>39,121</u>
	1,345,576	1,424,026
Less current portion of:		
Ohio MHAS forgivable notes	63,434	63,434
Other long-term debt	<u>42,041</u>	<u>38,737</u>
	<u>\$ 1,240,102</u>	<u>\$ 1,321,855</u>

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2022 AND 2021

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

Long-term debt (continued):

(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, 2022 and 2021, 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:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 42,041
2024	43,484
2025	35,719
2026	39,167
2027	<u>39,485</u>
	<u>\$ 199,896</u>

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 2022 and contribution expense totaled \$16,621 in 2021.

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.

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 \$44,847 in 2022 and \$56,104 in 2021.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2022 AND 2021

7. Lease commitments (continued):

Future minimum rental revenue receipts are as follows:

2023	\$	44,847
2024		44,117
2025		45,808
2026		45,808
2027		45,808
Thereafter		<u>45,808</u>
	\$	<u>272,196</u>

8. Net assets with donor restrictions:

Net assets with donor restrictions are available for the following purposes at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
McKinley Grove construction (A)	\$ 2,215,051	\$ 2,215,051
Real property rehabilitations with donor restrictions (B)	70,300	70,300
New housing project	-	25,000
Automatic doors	<u>-</u>	<u>23,783</u>
	<u>\$ 2,285,351</u>	<u>\$ 2,334,134</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, 2022.

(B) Net assets relate to real property rehabilitations and include restrictions from the donor that the related properties must remain for the specific purpose for ten years from the date of rehabilitation. \$203,364 of the restrictions expired in September 2020 with \$70,300 expiring in 2023. The Agency was in compliance with all restrictions through June 30, 2022.

9. Concentration of risk:

The Agency maintains its cash in various local bank accounts. The Agency, throughout the year and at June 30, 2022 and 2021, had cash, including outstanding checks, on deposit at banks in excess of federally insured limits.

Grants receivable are due from governmental agencies.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2022 AND 2021

9. Concentration of risk (continued):

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, 2022 and 2021. Total amounts by source and percentage of total revenue are as follows:

<u>Revenue source</u>	2022		2021	
	Amount	Percent	Amount	Percent
Lake County	\$ 912,400	31%	\$ 1,027,302	36%
U.S. Department of Housing and Urban Development	725,914	24	879,935	31
	\$ 1,638,314	55%	\$ 1,907,237	67%

Total grants receivable related to the above funding sources at June 30, 2022 and 2021 are as follows:

<u>Funding source</u>	2022	2021
Lake County	\$ 90,337	\$ 118,772
U.S. Department of Housing and Urban Development	81,360	49,069
	\$ 171,697	\$ 167,841

10. Liquidity and availability:

The Agency's financial assets available within one year of the statements of financial position as of June 30, 2022 and 2021 for general expenditures are as follows:

	2022	2021
Cash	\$ 172,328	\$ 316,431
Accounts, grants and other receivables, net	225,532	241,258
	\$ 397,860	\$ 557,689

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2022 AND 2021

10. Liquidity and availability (continued):

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 credit with availability of up to \$200,000, which it could draw upon. Additionally, the Agency has a board restricted fund totaling \$41,940 at June 30, 2022 and \$83,087 at June 30, 2021 that can be used in operations, if needed, based on a board resolution. Furthermore, the Agency is required to fund replacement reserve accounts, which totaled \$123,327 at June 30, 2022 and \$133,578 at June 30, 2021 and these amounts can be used for certain repairs, maintenance and capital expenditures.

11. Statements of cash flows:

Supplemental cash flow information:

Cash paid for interest totaled \$22,317 in 2022 and \$31,732 in 2021.

Cash and restricted cash included in the statements of cash flows at June 30, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 172,328	\$ 316,431
Cash, board restricted reserve	41,940	83,087
Restricted deposits and funded reserves	<u>123,327</u>	<u>133,578</u>
Total cash and restricted cash	<u>\$ 337,595</u>	<u>\$ 533,096</u>

12. COVID-19 pandemic:

The COVID-19 pandemic has created economic uncertainties, which has contributed to significant volatility for businesses. Consequently, there is and will continue to be uncertainty and risk with respect to the Agency and its financial results that may have continuing adverse consequences for an extended period of time. As a result, the Agency received a Small Business Administration's (SBA) Paycheck Protection Program (PPP) forgivable loan (see Note 13), employee retention credits (see Note 14) and other stimulus funds as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) during 2022 and 2021. This funding was provided to assist with ongoing operations of the Agency. Management has, and will continue to monitor the situation and make changes to its operations in an attempt to minimize any future financial impact.

EXTENDED HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2022 AND 2021

13. SBA PPP forgivable loan:

During 2021, the Agency received a forgivable loan from the SBA PPP totaling \$160,750. The loan funds were provided from the provisions of the CARES Act and are forgivable by the SBA, if amounts are used for eligible payroll costs and other eligible expenses as defined in the CARES Act and other SBA related issued guidance. In accordance with U.S. GAAP, the Agency recorded the forgivable loan in accordance with FASB ASC 470 (*Debt*) and, therefore had recorded the loan as a current liability until the loan was forgiven by the SBA, which has occurred during the fiscal year ending June 30, 2022. During 2022, the Agency recognized income totaling \$160,750 from the loan forgiveness. The loan was an unsecured two year note payable with interest at 1%, however, no interest had been accrued on the note since the amount was not material and was forgiven during 2022.

14. Employee retention credits:

The CARES Act provides an employee retention credit (ERC), which is a refundable tax credit against certain employment taxes. Eligible employers are required to meet certain gross receipts reduction or were subject to fully or partially suspended operations (as defined) due to orders from an appropriate governmental authority during any calendar quarter in 2020 and through September 30, 2021. The calculation of the credit is determined based on qualifying wages (as defined) paid beginning March 13, 2020 through September 30, 2021. The Agency determined that it met the criteria of the ERC for the period July 1, 2021 through September 30, 2021 and filed Form 941-X Adjusted Employer: Federal Tax Return with the IRS to include qualifying wages and credits totaling \$115,104. The Agency elected to receive a credit on future 941 filings and fully realized the credits totaling \$115,104 during fiscal year ended June 30, 2022. The Agency recorded these amounts in accordance with FASB ASC Topic 958 (*Contributions*) and has recorded \$115,104 of revenue as employee retention credits on the 2022 statement of activities and net assets.

15. Subsequent events:

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through November 30, 2022, the date the Agency's financial statements were available to be issued.

EXTENDED HOUSING, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
Direct Awards:			
Supportive Housing for the Elderly: Section 202 Direct Loan	14.157		\$ 203,462
Section 8 Housing Assistance Payment Program	14.195		154,570
Pass-through from Lake County ADAMHS Board:			
Continuum of Care Program	14.267	34-6001618	528,245
Pass-through from Lake County Board of Commissioners:			
HOME Investment Partnership Program	14.239	34-6001618	26,199
Community Development Block Grants	14.218	34-6001618	<u>40,682</u>
Total U.S. Department of Housing and Urban Development			<u>953,158</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	109,500
Community Mental Health Block Grant	93.958	34-6001618	54,600
Pass-through from OhioMAS:			
2022 COVID Response – Mental Health	93.665	31-1334820	<u>42,500</u>
Total U.S. Department of Health and Human Services			<u>206,600</u>
Total Expenditures of Federal Awards			<u>\$ 1,159,758</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

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, 2022. 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 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, 2022

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:

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

Note D – Passed through to subrecipients:

Extended Housing, Inc. did not pass through any Federal awards to subrecipients for the year ended June 30, 2022.

Note E – 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, 2022 consists of:

Assistance Listing Number	Program Name	Outstanding Balances at June 30, 2022
14.157	Supportive Housing for the Elderly: Section 202 Capital Advance (HUD)	<u>\$ 176,652</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, 2022, 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 November 30, 2022.

Report on 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 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 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

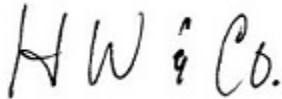
As part of obtaining reasonable assurance about whether Extended Housing, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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 & Co." in a cursive, slightly stylized font.

Cleveland, Ohio
November 30, 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

Opinion on Each Major Federal Program

We have audited Extended Housing, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Extended Housing, Inc.'s major federal programs for the year ended June 30, 2022. Extended Housing, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Extended Housing, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Extended Housing, Inc.'s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Extended Housing, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Extended Housing, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Extended Housing, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

HW & Co.

Cleveland, Ohio
November 30, 2022

EXTENDED HOUSING, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

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 No
- ◆ Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Award

Internal control over major program:

- ◆ Material weakness(es) identified? Yes No
- ◆ Significant deficiency(ies) identified? Yes 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 No

Identification of major program:

Assistance Listing Number

14.267

Name of Federal Program or Cluster

U.S. Department of Housing and Urban Development: Continuum of Care Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

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

EXTENDED HOUSING, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Finding

Significant Deficiency

2022-001: General Accounting Matters

- Condition:** A number of journal entries were recorded through the year-end audit process due to a number of account reconciliations 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-end 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 with the recent transition of accounting personnel and outsourcing certain accounting functions, the Agency has continued to implement and change practices and processes relating to the accounting functions in order to minimize these types of adjustments and account reconciliation differences in future years.

Section III – Major Federal Award Findings and Questioned Costs

No findings were noted.

EXTENDED HOUSING, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2022

2021-001: Financial Statement Finding: 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.

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

Current Status: Open (see current year finding 2022-001)

2021-002: Electronic submission of reporting package to the Federal Audit Clearinghouse

Condition: The Agency's June 30, 2020 reporting package, including the audited financial statements, was not electronically submitted timely to the Federal Audit Clearinghouse.

Recommendation: We recommend that the Agency electronically file their reporting package, including the audited financial statements, to the Federal Audit Clearinghouse by the due date or request an extension for more time is needed.

Current Status: Cleared