

HOUSING FORWARD
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND 2018
TOGETHER WITH AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Housing Forward:

Report on the Financial Statements

We have audited the accompanying financial statements of Housing Forward, which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows and functional expenses 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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

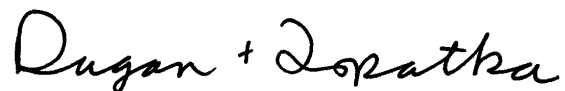
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Forward, as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of PTMHC program revenue and expenses and the schedule of Community Mental Health Board of Oak Park Township program revenue and expenses are presented for purposes of additional analysis and are 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 a report dated June 20, 2020 our consideration of Housing Forward's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Forward's internal control over financial reporting and compliance.



DUGAN & LOPATKA

HOUSING FORWARD
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 163,109	\$ 429,529
Cash held for others	3,429	2,512
Grants receivable	780,068	658,058
Prepaid expenses	17,244	24,610
Total current assets	963,850	1,114,709
PROPERTY AND EQUIPMENT, net	66,500	104,493
OTHER ASSETS:		
Security deposits	230,413	182,725
Total assets	<u>\$ 1,260,763</u>	<u>\$ 1,401,927</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 368,820	\$ 355,433
Agency liability	3,429	2,512
Accrued expenses	130,853	110,098
Refundable advances	116,520	340,678
Deferred revenue	24,900	5,300
Total current liabilities	644,522	814,021
NET ASSETS:		
Without donor restrictions - Undesignated	304,617	427,015
- Board designated	110,000	110,000
With donor restrictions	201,624	50,891
Total net assets	616,241	587,906
Total liabilities and net assets	<u>\$ 1,260,763</u>	<u>\$ 1,401,927</u>

The accompanying notes are an integral part of this statement.

HOUSING FORWARD
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Public support and other income -						
Contributions	\$ 783,279	\$ 318,000	\$ 1,101,279	\$ 597,911	\$ 60,000	\$ 657,911
United Way	41,496	-	41,496	45,618	-	45,618
Special events	261,112	-	261,112	310,764	-	310,764
Program rent	218,970	-	218,970	193,167	-	193,167
Interest	435	-	435	1,056	-	1,056
Miscellaneous income	34,053	-	34,053	189,659	-	189,659
In-kind donations of space	113,805	-	113,805	117,477	-	117,477
In-kind donations of supplies and services	491,040	-	491,040	490,317	-	490,317
Total public support and other income	1,944,190	318,000	2,262,190	1,945,969	60,000	2,005,969
Grants from governmental agencies -						
CDBG Cook County	16,980	-	16,980	33,005	-	33,005
ESG Cook County	313,162	-	313,162	397,143	-	397,143
Cook County Health	188,499	-	188,499	110,304	-	110,304
ESG Oak Park	110,917	-	110,917	99,651	-	99,651
CDBG Oak Park	28,034	-	28,034	29,861	-	29,861
Village of Oak Park grants	25,653	-	25,653	-	-	-
FRAP Oak Park	43,983	-	43,983	7,679	-	7,679
DHS - Illinois	421,357	-	421,357	351,709	-	351,709
FEMA	-	-	-	48,560	-	48,560
HUD	3,871,047	-	3,871,047	3,637,985	-	3,637,985
HUD - South Suburban PADS	166,242	-	166,242	68,178	-	68,178
IHDA	432,180	-	432,180	28,289	-	28,289
Community Mental Health Board of Oak Park Township	77,717	-	77,717	46,924	-	46,924
Serve Illinois Commission - AmeriCorps	119,842	-	119,842	119,733	-	119,733
Veteran Affairs	-	-	-	96,983	-	96,983
Proviso Township Mental Health Commission	65,459	-	65,459	49,503	-	49,503
CDBG - City of Berwyn	8,500	-	8,500	6,000	-	6,000
CEDA CSBG	-	-	-	59,543	-	59,543
ESG Cicero	155,826	-	155,826	-	-	-
Oak Park Township	25,964	-	25,964	18,166	-	18,166
River Forest Township	6,000	-	6,000	-	-	-
Other	29,162	-	29,162	1,323	-	1,323
Total grants from governmental agencies	6,106,524	-	6,106,524	5,210,539	-	5,210,539
Net assets released from restrictions -						
Satisfaction of purpose restrictions	167,267	(167,267)	-	108,667	(108,667)	-
Total revenues and support	8,217,981	150,733	8,368,714	7,265,175	(48,667)	7,216,508

The accompanying notes are an integral part of this statement.

HOUSING FORWARD
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
FUNCTIONAL EXPENSES:						
Program	\$ 7,149,838	\$ -	\$ 7,149,838	\$ 6,305,749	\$ -	\$ 6,305,749
Management and general	824,733	-	824,733	733,175	-	733,175
Fundraising	365,808	-	365,808	340,699	-	340,699
Total functional expenses	8,340,379	-	8,340,379	7,379,623	-	7,379,623
CHANGE IN NET ASSETS	(122,398)	150,733	28,335	(114,448)	(48,667)	(163,115)
NET ASSETS, Beginning of year	537,015	50,891	587,906	651,463	99,558	751,021
NET ASSETS, End of year	\$ 414,617	\$ 201,624	\$ 616,241	\$ 537,015	\$ 50,891	\$ 587,906

The accompanying notes are an integral part of this statement.

HOUSING FORWARD
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 28,335	\$ (163,115)
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:		
Depreciation	37,993	38,279
Changes in assets and liabilities:		
(Increase) in grants receivable	(122,010)	(68,425)
Decrease in prepaid expenses	7,366	6,894
(Increase) in security deposits	(47,688)	(73,272)
Increase in accounts payable and agency liability	14,304	146,426
Increase in accrued expenses	20,755	6,826
Increase (decrease) in refundable advances	(224,158)	288,471
Increase (decrease) in deferred revenue	19,600	(46,500)
Total adjustments	<u>(293,838)</u>	<u>298,699</u>
Net cash provided by (used in) operating activities	<u>(265,503)</u>	<u>135,584</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	-	(45,127)
Net cash (used in) investing activities	<u>-</u>	<u>(45,127)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(265,503)	90,457
CASH AND CASH EQUIVALENTS, Beginning of year	<u>432,041</u>	<u>341,584</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 166,538</u>	<u>\$ 432,041</u>

The accompanying notes are an integral part of this statement.

HOUSING FORWARD
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services									Total Program Services	Supporting Services		
	Coordinated Entry	PADS Shelter	Support Center	Supportive Housing	Emergency Assistance	Rental Assistance	Employment Readiness	Sojourner House	Outreach and Engagement		Management and General	Fundraising	Total
Salaries	\$ 205,439	\$ 105,405	\$ 161,698	\$ 494,040	\$ 169,097	\$ 158,086	\$ 63,774	\$ 42,553	\$ 188,005	\$ 1,588,097	\$ 619,707	\$ 189,631	\$ 2,397,435
Other benefits	19,251	13,201	39,505	109,716	36,667	42,435	15,854	7,027	37,041	320,697	64,503	14,981	400,181
Payroll taxes	18,068	7,662	13,235	42,994	14,119	14,332	6,446	3,091	14,324	134,271	38,828	16,513	189,612
Total salaries and related expenses	242,758	126,268	214,438	646,750	219,883	214,853	86,074	52,671	239,370	2,043,065	723,038	221,125	2,987,228
Professional fees and contracts	5,052	3,608	8,113	17,973	23,845	8,857	8,256	4,531	5,165	85,400	11,941	45,696	143,037
Board development	-	-	-	-	-	-	-	-	-	-	10,450	-	10,450
Occupancy	3,297	2,460	32,837	25,335	22,800	8,767	22,800	5,836	9,840	133,972	11,470	4,758	150,200
Food and supplies	614	23,081	5,032	3,752	4,297	1,927	1,295	1,887	2,519	44,404	1,525	1,371	47,300
Laundry	-	40,141	569	20	-	-	-	-	-	40,730	-	-	40,730
Volunteer and staff development	4,384	283	3,720	2,138	475	764	418	149	890	13,221	3,719	1,235	18,175
Equipment repair, rental and replacement	7,055	210	5,107	2,356	1,546	2,728	1,046	6,462	3,335	29,845	953	1,495	32,293
Individual and family assistance	-	4,244	6,764	2,233,442	60,648	618,834	40	60,549	2,107	2,986,628	-	-	2,986,628
Grants to sub-recipients	583,591	-	-	396,995	-	-	-	-	-	980,586	-	-	980,586
Other expenses	7,425	2,057	15,101	13,387	5,772	3,524	5,725	2,312	4,353	59,656	21,028	12,319	93,003
Postage	726	445	504	1,245	363	696	320	1,398	311	6,008	652	3,421	10,081
Printing	3,040	807	2,049	1,573	1,112	530	1,076	682	1,161	12,030	1,873	18,050	31,953
Travel and transportation	7,727	4,048	3,083	23,291	2,100	5,871	1,442	78	6,225	53,865	5,253	587	59,705
Insurance	1,148	877	11,573	9,034	-	3,135	-	-	3,507	29,274	4,103	1,693	35,070
Telephone and pagers	447	1,015	796	3,873	2,964	1,457	2,530	1,589	1,037	15,708	1,086	509	17,303
Fund-raising events	-	-	-	-	-	-	-	-	-	-	250	53,549	53,799
Depreciation	-	-	6,470	-	11,267	-	11,267	2,504	-	31,508	6,485	-	37,993
In-kind supplies and services	-	436,920	29,692	-	1,705	-	1,816	-	-	470,133	20,907	-	491,040
In-kind space	-	113,805	-	-	-	-	-	-	-	113,805	-	-	113,805
Total functional expenses	\$ 867,264	\$ 760,269	\$ 345,848	\$ 3,381,164	\$ 358,777	\$ 871,943	\$ 144,105	\$ 140,648	\$ 279,820	\$ 7,149,838	\$ 824,733	\$ 365,808	\$ 8,340,379

The accompanying notes are an integral part of this statement.

HOUSING FORWARD
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services									Total Program Services	Supporting Services		
	Coordinated Entry	PADS Shelter	Support Center	Supportive Housing	Emergency Assistance	Rental Assistance	Employment Readiness	Sojourner House	Outreach and Engagement		Management and General	Fundraising	Total
Salaries	\$ 201,039	\$ 111,844	\$ 148,843	\$ 570,537	\$ 144,411	\$ 73,955	\$ 66,918	\$ -	\$ 210,093	\$ 1,527,640	\$ 444,738	\$ 179,055	\$ 2,151,433
Other benefits	12,449	7,147	20,703	126,247	28,135	14,816	8,500	-	45,458	263,455	36,577	16,985	317,017
Payroll taxes	18,808	8,234	11,333	57,968	13,133	7,050	6,102	-	16,946	139,574	20,921	17,687	178,182
Total salaries and related expenses	232,296	127,225	180,879	754,752	185,679	95,821	81,520	-	272,497	1,930,669	502,236	213,727	2,646,632
Professional fees and contracts	2,989	3,679	3,909	11,726	5,058	1,839	2,759	-	4,599	36,558	74,637	23,767	134,962
Board development	-	-	-	-	-	-	-	-	-	-	811	-	811
Occupancy	2,991	1,494	19,739	17,788	24,174	2,393	24,003	-	6,437	99,019	10,806	2,094	111,919
Food and supplies	1,276	15,034	12,354	8,098	1,991	1,003	1,351	-	2,290	43,397	28,016	692	72,105
Laundry	-	25,325	74	-	-	-	-	-	-	25,399	-	-	25,399
Volunteer and staff development	5,694	255	284	1,019	396	189	485	-	262	8,584	16,162	2,442	27,188
Equipment repair, rental and replacement	2,110	824	8,318	2,845	3,344	407	2,827	-	1,174	21,849	10,005	772	32,626
Individual and family assistance	28	9,309	5,759	2,049,396	72,617	123,865	1,354	-	3,490	2,265,818	374	19	2,266,211
Grants to sub-recipients	587,761	-	-	481,959	-	-	-	-	-	1,069,720	-	-	1,069,720
Other expenses	1,075	2,173	71,266	6,752	6,330	630	5,905	-	1,623	95,754	38,390	4,907	139,051
Postage	-	-	-	25	-	-	-	-	-	25	1,546	3,638	5,209
Printing	1,457	2,213	169	207	311	8	-	-	774	5,139	2,432	9,735	17,306
Travel and transportation	10,345	3,352	3,180	17,653	2,432	2,110	1,762	-	5,513	46,347	9,812	565	56,724
Insurance	1,002	1,151	1,902	4,399	1,506	637	821	-	1,592	13,010	9,970	1,105	24,085
Telephone and pagers	461	788	694	4,881	4,338	816	3,096	-	1,558	16,632	9,723	524	26,879
Fund-raising events	-	-	-	-	-	-	-	-	-	-	11	76,712	76,723
Depreciation	-	-	3,893	-	12,519	-	12,519	-	-	28,931	9,348	-	38,279
In-kind supplies and services	-	469,755	6,737	-	3,115	-	1,814	-	-	481,421	8,896	-	490,317
In-kind space	-	117,477	-	-	-	-	-	-	-	117,477	-	-	117,477
Total functional expenses	\$ 849,485	\$ 780,054	\$ 319,157	\$ 3,361,500	\$ 323,810	\$ 229,718	\$ 140,216	\$ -	\$ 301,809	\$ 6,305,749	\$ 733,175	\$ 340,699	\$ 7,379,623

HOUSING FORWARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Housing Forward (the Organization) was incorporated on August 7, 1992, in the State of Illinois as a not-for-profit corporation. The mission of the Organization is to transition people from housing crisis to housing stability. The Organization, with support of various congregations and partnering agencies, provides emergency shelter and meals, supportive services, case management, employment readiness, rapid-rehousing, transitional and permanent supportive housing programs and emergency assistance for persons experiencing homelessness or a financial crisis that may lead to homelessness. The Organization operates within West Suburban Cook County.

The financial statements were available to be issued on June 20, 2020, with subsequent events being evaluated through this date.

The following is a summary of the significant accounting policies applied by management in the preparation of the accompanying financial statements.

Basis of Accounting -

The Organization records its financial transactions and maintains its books and records on the accrual basis of accounting which recognizes revenue as it is earned and expenses as they are incurred.

Basis of Presentation -

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the board of directors. As of December 31, 2019 and 2018, the Organization had designated \$110,000 as a reserve for future operations.

With donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Organization considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk -

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash and deposits with high credit quality financial institutions; however, deposits exceed the federally insured limits in some accounts from time to time.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Promises to Give -

Pledges receivable are recorded in the fiscal year, in which the pledge has become unconditional and then is classified as either without donor restrictions or with donor restrictions depending on the existence and/or nature of donor restrictions. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Grants revenue and receivables -

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has received \$116,520 and \$340,678 in advance under their federal and state contracts and grants as of December 31, 2019 and 2018, respectively.

The Organization has received significant financial assistance from federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Organization.

Property and Equipment -

Property and equipment are carried at original cost or fair market value at date of receipt for donated assets less accumulated depreciation. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years. Depreciation expense totaled \$37,993 and \$38,279 in 2019 and 2018, respectively.

Revenue Recognition for Public Support -

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Program Revenue -

Program revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for the services. The Organization's program revenue consists of rental income which are considered to have a single performance obligation that is satisfied at a point in time. The performance obligations for this service is considered met, and revenue is recognized, at beginning of the month the lessee is using the space.

Deferred Revenue -

Deferred revenue represents payments for special events that are received prior to year end but will not be occurring until the following year.

Use of Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, payroll taxes, professional services, office expenses, occupancy, depreciation and other, which are allocated on the basis of estimates of time and effort.

Income Taxes -

The Organization has been determined by the Internal Revenue Service to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

The Organization files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2016. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

New Accounting Pronouncement -

Effective January 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), and all subsequently issued clarifying ASU's which replaced most existing revenue recognition guidance in generally accepted accounting principles in the United State of America (GAAP). The new guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The new guidance also requires expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cashflows arising from contracts with customers. The adoption of this new guidance was done using the modified retrospective method. The Organization applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.

The Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update provided guidance to assist in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a contribution is conditional. The ASU has been retroactively applied to all periods presented.

The adoption of these new standards did not result in a material impact to the Organization's financial statements. There was no significant effect on the financial statements related to the adoption of these new standards which would require a cumulative adjustment to net assets at the date of adoption under the modified retrospective method.

(2) LIQUIDITY AND AVAILABILITY:

	December 31,	
	<u>2019</u>	<u>2018</u>
Financial assets -		
Cash and cash equivalents	\$ 163,109	\$ 429,529
Grant receivable	<u>780,068</u>	<u>658,058</u>
Total financial assets	943,177	1,087,587
Donor imposed restrictions	<u>201,624</u>	<u>50,891</u>
Net financial assets after donor-imposed restrictions	741,553	1,036,696
Internal designations -		
Board advised funds	<u>110,000</u>	<u>110,000</u>
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	<u>\$ 631,553</u>	<u>\$ 926,696</u>

(2) LIQUIDITY AND AVAILABILITY: (Continued)

The Organization receives contributions, some of which are restricted by donors to fund specific programs or projects. Such restricted funds are tracked for use for the identified program or project. Restricted contributions of \$318,000 and \$60,000 were received and included in financial assets for the years ended December 31, 2019 and 2018, respectively.

The Organization maintains a separate operating reserve account with a targeted balance of three months of operating and personnel expenses.

Amounts greater than these minimums can be designated by the Finance Committee with approval of the Board of Directors.

The Organization also maintains a separate capital reserve account consistent with expansion plans for the Organization. The balance is reviewed annually by the Finance Committee to determine the appropriateness of the balance in conjunction with the condition of the owned assets.

(3) PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Office equipment	\$ 178,234	\$ 178,234
Site equipment	16,833	16,833
Leasehold improvements	49,065	49,065
Support Center expansion	<u>284,133</u>	<u>284,133</u>
	528,265	528,265
Less - Accumulated depreciation	<u>(461,765)</u>	<u>(423,772)</u>
	<u>\$ 66,500</u>	<u>\$ 104,493</u>

(4) LEASED FACILITIES:

The Organization leases certain space for its administrative offices under two leases expiring in February, 2020 and April, 2020. Rent expense paid under the leases amounted to \$113,680 and \$84,758 for the years ended December 31, 2019 and 2018, respectively, which includes \$1,500 monthly for utilities, and is included in occupancy expense in the statement of functional expenses. The Organization has selected to renew the lease that expired in February, 2020. The renewed lease now expires in February, 2023. The Organization is in the process of negotiating the administrative office lease expired in April, 2020.

The Organization also has a lease for a copier expiring in June, 2023. Rent expense paid under this lease amounted to \$9,931 and \$14,937 for the years ended December 31, 2019 and 2018, respectively.

(4) LEASED FACILITIES: (Continued)

The Organization has a lease for the Sojourner program that expires in July, 2024. Rent expense paid under this lease amounted to \$20,000 for the year ended December 31, 2019.

Minimum lease payments due for the years ending December 31 are as follows:

2020	\$	78,427
2021		52,981
2022		54,352
2023		54,211
2024		<u>31,206</u>
	\$	<u>271,177</u>

The Organization pays monthly rental payments for transitional housing and rapid re-housing units.

The Organization also leased various units for permanent supportive housing. The leases expire at various dates through December, 2020. Rental assistance provided on these properties was approximately \$2,761,000 and \$2,097,000 for the years ended December 31, 2019 and 2018, respectively.

(5) LINE OF CREDIT:

The Organization has a \$250,000 line of credit from a bank, bearing interest at prime plus one percent and due in July, 2021. As of December 31, 2019 and 2018, the Organization has no borrowings.

(6) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Support center	\$ 123,000	\$ -
Sojourner House	17,733	-
Program rent	35,891	35,891
Other	<u>25,000</u>	<u>15,000</u>
	<u>\$ 201,624</u>	<u>\$ 50,891</u>

(7) DONATED SERVICES, SUPPLIES AND SPACE:

Donated services in 2019 and 2018 included medical, legal services, food and volunteer time totaling \$491,040 and \$490,317, respectively, which are reflected in the statement of activities as in-kind contributions and program expenses.

(7) DONATED SERVICES, SUPPLIES AND SPACE: (Continued)

The Organization receives donated clothing and other personal care items from various donors. Such donations have not been recorded because the value of such items cannot be reasonably determined.

The Organization uses various congregations in the local area to serve the community. The congregations provide shelter space throughout the year, with the majority occurring during the months of September through May. These congregations have not charged the Organization for use of space under any form of rental agreement. The annual lease value of this space, based upon the market value in the area, was \$113,805 and \$117,477 for the years ended December 31, 2019 and 2018, respectively. These amounts are included as in-kind contributions and program expenses in the statement of activities.

(8) RETIREMENT PLAN:

Effective January 1, 2008, the Organization adopted a Simple Retirement Plan for eligible employees. The Organization provided matching contributions of 3% for the years ended December 31, 2019 and 2018. Contributions to the plan were \$24,154 and \$15,779 for the years ended December 31, 2019 and 2018, respectively.

(9) CONCENTRATIONS OF GRANTS:

Housing Forward received approximately 48% and 50% of its total public support and revenue from U.S. Department of Housing and Urban Development for the years ended December 31, 2019 and 2018, respectively.

(10) SUBSEQUENT EVENT:

Additionally, in March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact the Organization operations and financial statements.

As part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, in May, 2020, the Organization obtained a Payroll Protection Program (PPP) loan in the amount of \$536,348. The interest rate on this loan is 1% with the amount to be repaid in 18 installments beginning November 2020 with the final payment due on May, 2022. As part of the PPP loan agreement, a portion of the loan can be forgiven. The Organization intends to maximize the forgiven portion of this loan as allowed under Act.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Housing Forward:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Housing Forward which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Housing Forward's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Forward's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Forward's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

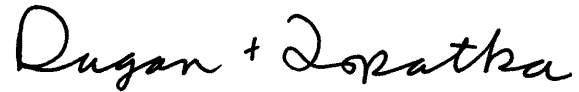
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Forward'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*.

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*
Page two

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Housing Forward's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Forward's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



DUGAN & LOPATKA

Warrenville, Illinois
June 20, 2020

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

To the Board of Directors of
Housing Forward:

Report on Compliance for Each Major Federal Program

We have audited Housing Forward's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Housing Forward's major federal programs for the year ended December 31, 2019. Housing Forward's major federal programs are 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 each of Housing Forward's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Forward'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 each major federal program. However, our audit does not provide a legal determination on Housing Forward's compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Forward 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 December 31, 2019.

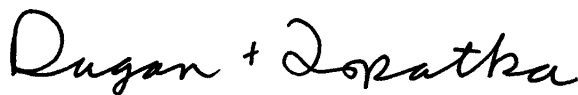
Report on Internal Control over Compliance

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



DUGAN & LOPATKA

HOUSING FORWARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor	Pass- Through Number	Passed Through to Sub-Recipients	Total Program Expenditures
Department of Housing and Urban Development:					
Continuum of Care	14.267	South Suburban PADS	18-19		\$ 82,411
Continuum of Care	14.267	South Suburban PADS	19-20		83,831
Continuum of Care	14.267	Alliance to End Homelessness	IL1645L5T111800		30,369
Continuum of Care	14.267	Alliance to End Homelessness	IL1601L5T111700		41,929
Continuum of Care	14.267	Alliance to End Homelessness	IL0629L5T111803		87,470
Continuum of Care	14.267	Alliance to End Homelessness	IL0629L5T111702		555,543
Continuum of Care	14.267				<u>3,155,736</u>
Total Continuum of Care				<u>\$ 847,520</u>	<u>4,037,289*</u>
Community Development Block Grant	14.218	Cook County Department of Planning and Development	1804-049		11,385
Community Development Block Grant	14.218	Cook County Department of Planning and Development	1904-052		5,595
Community Development Block Grant	14.218	Village of Oak Park	B19-4		3,000
Community Development Block Grant	14.218	Village of Oak Park	B18-4		12,410
Community Development Block Grant	14.218	Village of Oak Park	B18-5		12,624
Community Development Block Grant	14.218	City of Berwyn	2018-662		<u>8,500</u>
Total Community Development Block Grant					<u>53,514</u>

HOUSING FORWARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor	Pass- Through Number	Passed Through to Sub-Recipients	Total Program Expenditures
Emergency Shelter Grants Program	14.231	Village of Cicero	E17-01		\$ 29,632
Emergency Shelter Grants Program	14.231	Village of Cicero	E16-01		126,194
Emergency Shelter Grants Program	14.231	Village of Oak Park	S19-2		8,184
Emergency Shelter Grants Program	14.231	Village of Oak Park	S19-3		1,154
Emergency Shelter Grants Program	14.231	Village of Oak Park	S19-4		5,475
Emergency Shelter Grants Program	14.231	Village of Oak Park	S18-5		15,670
Emergency Shelter Grants Program	14.231	Village of Oak Park	S18-2		31,861
Emergency Shelter Grants Program	14.231	Village of Oak Park	S18-3		20,470
Emergency Shelter Grants Program	14.231	Village of Oak Park	S18-4		28,103
Emergency Shelter Grants Program	14.231	Cook County Department of Planning and Development	E19-09		13,424
Emergency Shelter Grants Program	14.231	Cook County Department of Planning and Development	E17-08		82,162
Emergency Shelter Grants Program	14.231	Cook County Department of Planning and Development	E17-08		27,810
Emergency Shelter Grants Program	14.231	Cook County Department of Planning and Development	18-17	\$ 133,066	<u>189,766</u>
Total Emergency Shelter Grants Program				<u>133,066</u>	<u>579,905</u>
Total Department of Housing and Urban Development				<u>980,586</u>	<u>4,670,708</u>

HOUSING FORWARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor</u>	<u>Pass- Through Number</u>	<u>Passed Through to Sub-Recipients</u>	<u>Total Program Expenditures</u>
Corporation for National & Community Service: Americorps	94.006	Illinois Department of Public Health	07380027H		\$ 30,541
Americorps	94.006	Illinois Department of Public Health	9097380027G		<u>89,301</u>
Total Americorps				<u>-</u>	<u>119,842</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 980,586</u>	<u>\$ 4,790,550</u>

*Major program

HOUSING FORWARD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note A - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal award activity of Housing Forward under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Housing Forward, it is not intended to and does not represent the financial position, changes in net assets, or cash flows of Housing Forward.

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

Note C - Indirect Cost Rates:

Housing Forward did elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D - Non-Cash Awards:

Housing Forward did not have any outstanding federal loans or loan guarantees or insurance at December 31, 2019, and did not receive any federal non-cash awards during the year ended December 31, 2019.

HOUSING FORWARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

PART 1: SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Housing Forward were prepared in accordance with GAAP.
2. There were no material weaknesses disclosed during the audit of the financial statements. No significant deficiencies related to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of Housing Forward, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no material weaknesses in internal control over compliance disclosed during the audit of the major federal programs. No significant deficiencies related to the audit of the major federal awards programs are reported.
5. The auditor's report on compliance for the major federal award programs for Housing Forward expresses an unmodified opinion on all major federal programs.
6. There are no audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs included:

14.267 Continuum of Care
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Housing Forward was determined to be a low-risk auditee.

PART 2: FINDINGS - FINANCIAL STATEMENTS AUDIT (GAGAS):

There were no audit findings or questioned costs.

PART 3: FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

There were no audit findings or questioned costs.

HOUSING FORWARD
SCHEDULE OF PTMHC PROGRAM REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Employment Readiness</u>	<u>Support Center</u>	<u>Permanent Supportive Housing</u>	<u>Total</u>
Support and revenue:				
Contract revenue	<u>\$ 24,960</u>	<u>\$ 21,554</u>	<u>\$ 18,945</u>	<u>\$ 65,459</u>
Expenses:				
Salaries and related expenses	<u>24,960</u>	<u>21,554</u>	<u>18,945</u>	<u>65,459</u>
Excess revenue (expenses) over revenue (expenses)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

HOUSING FORWARD
SCHEDULE OF COMMUNITY MENTAL HEALTH BOARD OF
OAK PARK TOWNSHIP PROGRAM REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Support and revenue:	
Contract revenue	<u>\$ 77,717</u>
Expenses:	
Salaries and related expenses	65,116
Staff travel	796
Miscellaneous	<u>4,778</u>
Total expenses	<u>70,690</u>
Excess expenses over revenue	<u><u>\$ 7,027</u></u>