



**Audited Financial Statements
and Supplementary Information**

December 31, 2018 and 2017

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Independent Auditor's Report

Board of Directors
Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program
Clearwater, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program, which comprise the statements of financial position as of December 31, 2018 and 2017; the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program as of December 31, 2018 and 2017, 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

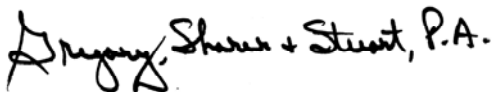
Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by Subpart F 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2019 on our consideration of Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program'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 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 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 Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program's internal control over financial reporting and compliance.

Gregory, Sharer & Stuart, P.A.

Handwritten signature in black ink that reads "Gregory, Sharer & Stuart, P.A." with a stylized flourish at the end.

St. Petersburg, Florida
May 29, 2019

Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program
Statement of Financial Position as of December 31, 2018
With Summarized Comparative Totals as of December 31, 2017

	December 31, 2018			Summarized Comparative Totals December 31, 2017
	Without Donor Restrictions	With Donor Restrictions	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 886,566	\$ 154,591	\$ 1,041,157	\$ 1,157,774
Grants receivable	196,182	-	196,182	198,441
Accounts receivable - other	1,912	-	1,912	1,964
Prepaid expenses	61,809	-	61,809	47,771
Investments	4,899,061	-	4,899,061	4,696,057
Promises to give	-	-	-	109,677
Other assets	35,702	-	35,702	21,692
Total current assets	<u>6,081,232</u>	<u>154,591</u>	<u>6,235,823</u>	<u>6,233,376</u>
Noncurrent assets				
Property and equipment, net	9,522,423	-	9,522,423	9,961,700
Investments	-	200,000	200,000	200,000
Beneficial interest in perpetual trust	-	348,258	348,258	390,778
Total noncurrent assets	<u>9,522,423</u>	<u>548,258</u>	<u>10,070,681</u>	<u>10,552,478</u>
Total assets	<u>\$ 15,603,655</u>	<u>\$ 702,849</u>	<u>\$ 16,306,504</u>	<u>\$ 16,785,854</u>
Liabilities and net assets				
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	\$ 89,520	\$ -	\$ 89,520	\$ 95,418
Accrued payroll	59,253	-	59,253	47,114
Security deposits	890	-	890	890
Total current liabilities	<u>149,663</u>	<u>-</u>	<u>149,663</u>	<u>143,422</u>
Mortgages payable, net of loan costs	<u>3,418,437</u>	<u>-</u>	<u>3,418,437</u>	<u>3,459,576</u>
Total liabilities	<u>3,568,100</u>	<u>-</u>	<u>3,568,100</u>	<u>3,602,998</u>
Net assets				
Without donor restrictions	7,861,575	-	7,861,575	8,004,105
Without donor restrictions - board designated	4,173,980	-	4,173,980	4,470,703
With donor restrictions	-	702,849	702,849	708,048
Total net assets	<u>12,035,555</u>	<u>702,849</u>	<u>12,738,404</u>	<u>13,182,856</u>
Total liabilities and net assets	<u>\$ 15,603,655</u>	<u>\$ 702,849</u>	<u>\$ 16,306,504</u>	<u>\$ 16,785,854</u>

Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program
Statement of Financial Position
December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,150,181	\$ 7,593	\$ 1,157,774
Grants receivable	198,441	-	198,441
Accounts receivable - other	1,964	-	1,964
Prepaid expenses	47,771	-	47,771
Investments	4,696,057	-	4,696,057
Promises to give	-	109,677	109,677
Other assets	21,692	-	21,692
Total current assets	<u>6,116,106</u>	<u>117,270</u>	<u>6,233,376</u>
Noncurrent assets			
Property and equipment, net	9,961,700	-	9,961,700
Investments	-	200,000	200,000
Beneficial interest in perpetual trust	-	390,778	390,778
Total noncurrent assets	<u>9,961,700</u>	<u>590,778</u>	<u>10,552,478</u>
Total assets	<u>\$ 16,077,806</u>	<u>\$ 708,048</u>	<u>\$ 16,785,854</u>
Liabilities and net assets			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$ 95,418	\$ -	\$ 95,418
Accrued payroll	47,114	-	47,114
Security deposits	890	-	890
Total current liabilities	<u>143,422</u>	<u>-</u>	<u>143,422</u>
Mortgages payable, net of loan costs	<u>3,459,576</u>	<u>-</u>	<u>3,459,576</u>
Total liabilities	<u>3,602,998</u>	<u>-</u>	<u>3,602,998</u>
Net assets			
Without donor restrictions	8,004,105	-	8,004,105
Without donor restrictions - board designated	4,470,703	-	4,470,703
With donor restrictions	-	708,048	708,048
Total net assets	<u>12,474,808</u>	<u>708,048</u>	<u>13,182,856</u>
Total liabilities and net assets	<u>\$ 16,077,806</u>	<u>\$ 708,048</u>	<u>\$ 16,785,854</u>

Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program
Statement of Activities and Changes in Net Assets for the Year Ended December 31, 2018
With Summarized Comparative Totals for the Year Ended December 31, 2017

	Year Ended December 31, 2018			Summarized Comparative Totals Year Ended December 31, 2017
	Without Donor Restrictions	With Donor Restrictions	Total	
Public support and revenue				
Contributions	\$ 944,030	\$ 146,998	\$ 1,091,028	\$ 1,581,352
Estates and trusts	515,583	-	515,583	302,040
In-kind contributions - services and other	1,473,986	-	1,473,986	1,519,663
Grants	2,787,236	-	2,787,236	2,892,044
Client fees	335,666	-	335,666	351,679
Special events revenue, net	91,109	-	91,109	82,981
Thrift store sales	273,686	-	273,686	282,338
Other	99,932	-	99,932	90,753
Net assets released from restriction	109,677	(109,677)	-	-
Total public support and revenue	6,630,905	37,321	6,668,226	7,102,850
Expenses other than depreciation				
Program services	5,222,147	-	5,222,147	5,227,760
Management and general	391,903	-	391,903	476,416
Development (fundraising)	498,096	-	498,096	528,386
Total expenses other than depreciation	6,112,146	-	6,112,146	6,232,562
Changes in net assets before depreciation	518,759	37,321	556,080	870,288
Depreciation	610,859	-	610,859	681,927
Changes in net assets from operating activities	(92,100)	37,321	(54,779)	188,361
Non-operating activities				
Investment return, net	(347,153)	(42,520)	(389,673)	623,731
Changes in net assets	(439,253)	(5,199)	(444,452)	812,092
Net assets at beginning of year	12,474,808	708,048	13,182,856	12,370,764
Net assets at end of year	\$ 12,035,555	\$ 702,849	\$ 12,738,404	\$ 13,182,856

Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Contributions	\$ 1,481,352	\$ 100,000	\$ 1,581,352
Estates and trusts	302,040	-	302,040
In-kind contributions - services and other	1,519,663	-	1,519,663
Grants	2,892,044	-	2,892,044
Client fees	351,679	-	351,679
Special events revenue, net	82,981	-	82,981
Thrift store sales	282,338	-	282,338
Other	90,753	-	90,753
Net assets released from restriction	108,312	(108,312)	-
Total public support and revenue	<u>7,111,162</u>	<u>(8,312)</u>	<u>7,102,850</u>
Expenses other than depreciation			
Program services	5,227,760	-	5,227,760
Management and general	476,416	-	476,416
Development (fundraising)	528,386	-	528,386
Total expenses other than depreciation	<u>6,232,562</u>	<u>-</u>	<u>6,232,562</u>
Changes in net assets before depreciation	878,600	(8,312)	870,288
Depreciation	<u>681,927</u>	<u>-</u>	<u>681,927</u>
Changes in net assets from operating activities	196,673	(8,312)	188,361
Non-operating activities			
Investment return, net	<u>589,856</u>	<u>33,875</u>	<u>623,731</u>
Changes in net assets	786,529	25,563	812,092
Net assets at beginning of year	<u>11,688,279</u>	<u>682,485</u>	<u>12,370,764</u>
Net assets at end of year	<u>\$ 12,474,808</u>	<u>\$ 708,048</u>	<u>\$ 13,182,856</u>

Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program
Statement of Functional Expenses for the Year Ended December 31, 2018
With Summarized Comparative Totals for the Year Ended December 31, 2017

	Year Ended December 31, 2018										Summarized Comparative Year Ended December 31, 2017	
	Program Services											
	Housing Programs				Total Housing Programs	Support Services	Thrift Store	Total Program Services	Management and General	Development (Fundraising)		Total
Outreach	Emergency	Transitional	Permanent									
Salaries	\$ 132,120	\$ 501,339	\$ 335,443	\$ 330,122	\$ 1,299,024	\$ 275,135	\$ 187,076	\$ 1,761,235	\$ 269,401	\$ 289,579	\$ 2,320,215	\$ 2,326,682
Payroll taxes and benefits	26,975	99,318	56,929	60,702	243,924	68,326	35,599	347,849	60,186	54,198	462,233	454,559
Personnel expenses	1,446	5,826	3,978	3,235	14,485	4,302	2,095	20,882	3,067	2,770	26,719	29,655
Total salaries and related expenses	160,541	606,483	396,350	394,059	1,557,433	347,763	224,770	2,129,966	332,654	346,547	2,809,167	2,810,896
Client services	16,558	93,539	157,628	91,036	358,761	97,304	4,274	460,339	1,687	11,272	473,298	453,012
Dental and Wellness Clinic	29,487	123,518	111,410	134,787	399,202	15,129	-	414,331	-	-	414,331	511,222
Marketing	46	223	105	282	656	318	1,379	2,353	689	51,234	54,276	55,998
Food	45,740	186,807	168,676	213,988	615,211	6,559	189	621,959	993	736	623,688	620,381
In-kind lease space	-	41,990	171,216	70,580	283,786	71,324	-	355,110	22,236	20,995	398,341	393,107
In-kind services	9,627	38,861	36,412	44,233	129,133	-	-	129,133	-	-	129,133	98,469
Insurance	3,597	12,907	31,692	17,529	65,725	11,323	6,820	83,868	4,531	5,549	93,948	91,045
Interest	-	-	-	527	527	-	-	527	-	-	527	527
Job training	-	4,350	7,000	-	11,350	14,000	-	25,350	-	-	25,350	42,700
Learning center activities	-	-	-	-	-	91,276	-	91,276	-	-	91,276	91,389
Office expenses and supplies	2,732	10,933	7,060	10,207	30,932	11,287	9,271	51,490	12,211	32,787	96,488	98,622
Professional fees	2,002	7,102	5,338	5,292	19,734	5,683	3,656	29,073	2,823	2,631	34,527	94,862
Repairs and maintenance	10,707	45,770	55,979	72,113	184,569	22,620	10,738	217,927	5,270	6,416	229,613	262,187
Technology	1,800	7,429	4,552	7,065	20,846	11,813	2,285	34,944	1,734	13,301	49,979	45,193
Telephone	1,284	4,677	8,252	5,135	19,348	4,646	1,771	25,765	4,545	3,232	33,542	33,537
Utilities	19,091	73,235	120,847	183,750	396,923	41,185	30,913	469,021	2,455	3,016	474,492	454,042
Transportation expense	7,446	15,992	5,891	13,010	42,339	28,288	9,088	79,715	75	380	80,170	75,373
Subtotal	310,658	1,273,816	1,288,408	1,263,593	4,136,475	780,518	305,154	5,222,147	391,903	498,096	6,112,146	6,232,562
Depreciation	5,249	41,538	82,181	265,114	394,082	77,030	29,545	500,657	110,202	-	610,859	681,927
Total functional expenses	\$ 315,907	\$ 1,315,354	\$ 1,370,589	\$ 1,528,707	\$ 4,530,557	\$ 857,548	\$ 334,699	\$ 5,722,804	\$ 502,105	\$ 498,096	\$ 6,723,005	\$ 6,914,489

Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program
Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services										
	Housing Programs				Total Housing Programs	Support Services	Thrift Store	Total Program Services	Management and General	Development (Fundraising)	Total
	Outreach	Emergency	Transitional	Permanent							
Salaries	\$ 113,699	\$ 406,916	\$ 302,879	\$ 235,039	\$ 1,058,533	\$ 481,538	\$ 167,041	\$ 1,707,112	\$ 309,424	\$ 310,146	\$ 2,326,682
Payroll taxes and benefits	24,683	82,683	48,958	44,229	200,553	110,186	27,436	338,175	61,998	54,386	454,559
Personnel expenses	1,286	4,904	3,485	2,265	11,940	7,908	3,035	22,883	3,367	3,405	29,655
Total salaries and related expenses	139,668	494,503	355,322	281,533	1,271,026	599,632	197,512	2,068,170	374,789	367,937	2,810,896
Client services	10,211	47,679	81,374	45,554	184,818	241,835	4,950	431,603	15,263	6,146	453,012
Dental and Wellness Clinic	41,150	159,104	119,248	191,720	511,222	-	-	511,222	-	-	511,222
Marketing	-	-	-	-	-	242	3,781	4,023	308	51,667	55,998
Food	49,355	190,196	153,073	226,092	618,716	-	164	618,880	1,064	437	620,381
In-kind lease space	26,417	66,042	69,344	33,021	194,824	95,761	39,625	330,210	37,738	25,159	393,107
In-kind services	6,919	27,061	24,636	29,711	88,327	-	10,142	98,469	-	-	98,469
Insurance	3,303	10,689	28,653	11,344	53,989	18,773	6,876	79,638	5,323	6,084	91,045
Interest	-	-	-	527	527	-	-	527	-	-	527
Job training	-	-	10,500	-	10,500	32,200	-	42,700	-	-	42,700
Learning center activities	-	-	-	-	-	91,389	-	91,389	-	-	91,389
Office expenses and supplies	1,881	6,103	4,891	3,665	16,540	24,417	9,105	50,062	15,064	33,496	98,622
Professional fees	4,599	14,803	12,226	8,390	40,018	26,196	9,557	75,771	10,068	9,023	94,862
Repairs and maintenance	4,751	53,644	59,081	52,704	170,180	63,002	16,559	249,741	6,102	6,344	262,187
Technology	1,380	4,320	3,561	2,210	11,471	13,679	2,765	27,915	2,382	14,896	45,193
Telephone	1,220	3,613	8,142	3,629	16,604	8,031	2,054	26,689	4,337	2,511	33,537
Utilities	15,329	49,845	104,928	157,286	327,388	92,598	28,810	448,796	2,454	2,792	454,042
Transportation expense	6,639	47,661	4,831	4,628	63,759	-	8,196	71,955	1,524	1,894	75,373
Subtotal	312,822	1,175,263	1,039,810	1,052,014	3,579,909	1,307,755	340,096	5,227,760	476,416	528,386	6,232,562
Depreciation	8,718	45,014	80,351	248,789	382,872	135,587	32,897	551,356	130,571	-	681,927
Total functional expenses	\$ 321,540	\$ 1,220,277	\$ 1,120,161	\$ 1,300,803	\$ 3,962,781	\$ 1,443,342	\$ 372,993	\$ 5,779,116	\$ 606,987	\$ 528,386	\$ 6,914,489

Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program
Statements of Cash Flows

	Year Ended December 31	
	2018	2017
Cash flows from operating activities		
Changes in net assets	\$ (444,452)	\$ 812,092
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	610,859	681,927
Amortization of loan costs	527	527
Realized and unrealized losses (gains) on investments	423,212	(535,811)
Donated investments	(100,751)	(120,051)
Loss (gain) on perpetual trust assets	42,520	(28,817)
Forgiveness of debt	(41,666)	(41,666)
Decrease (increase) in operating assets		
Grants receivable	2,259	158,561
Accounts receivable - other	52	679
Prepaid expenses	(14,038)	(464)
Promises to give	109,677	(75,157)
Other assets	(14,010)	969
(Decrease) increase in operating liabilities		
Accounts payable and accrued liabilities	(5,898)	(9,362)
Accrued payroll	12,139	79
Net cash provided by operating activities	<u>580,430</u>	<u>843,506</u>
Cash flows from investing activities		
Purchases of investments	(674,159)	(546,226)
Proceeds from sale of investments	148,694	682,077
Purchases of property and equipment	(171,582)	(396,090)
Net cash used by investing activities	<u>(697,047)</u>	<u>(260,239)</u>
(Decrease) increase in cash and cash equivalents	(116,617)	583,267
Cash and cash equivalents at beginning of year	<u>1,157,774</u>	<u>574,507</u>
Cash and cash equivalents at end of year	<u>\$ 1,041,157</u>	<u>\$ 1,157,774</u>
Supplemental disclosure		
Transfers from construction in progress to property and equipment	<u>\$ 14,647</u>	<u>\$ 19,846</u>

Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program

Notes to Financial Statements

December 31, 2018 and 2017

Note A - Organization

Organization and Purpose

Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program (the Organization or HEP) is a nonprofit organization founded in 1986 whose mission is to provide homeless and low-income individuals and families with housing, food, clothing, and support services necessary to obtain self-sufficiency and improved quality of life. Funds used for operations are received from federal, state, local, and private sources.

The Organization provides emergency, transitional, and permanent housing for men, women, children, and veterans, including those with mental illnesses. The Organization offers a full continuum of shelter care for the entire homeless population and, with its community partners, provides residents access to a wide range of support services.

Housing Programs

Services provide for outreach, emergency, transitional, and permanent housing needs, clothing, food, personal care, life skills, case management, and transportation costs of the residents.

Support Services

- Benefits Coordinator - The HEP Benefits Coordinator assists residents in acquiring needed documents and services on their path to self-sufficiency (i.e. VA benefits, health care insurance, Social Security, etc.).
- Children's Learning Center - A partnership with R'Club Child Care, Inc. to provide before and after school care, transportation, and a summer camp program. The program provides academic and social skill building assistance for school age youth.
- Community Garden - HEP's community garden not only provides fresh, organically grown produce to help our dining hall be self-sustaining, but it also provides a learning opportunity, a therapeutic outlet for residents to remain physically active, and keeps them productively engaged in the community.
- Community Housing Assistance Program (CHAP) - Program available to assist eligible applicants avoid potential homelessness by eliminating rental payments in arrears, providing one-on-one housing counseling to ensure stability of their new housing situation, and by providing move-in costs in instances of homelessness.
- Counseling - Services include substance abuse care and alcohol treatment, recovery services, vocational and employment training, mental health therapy (individual, group, and families), and public benefits access.
- Dental and Wellness Clinic - The Dental and Wellness Clinic provides free, quality, and comprehensive dental and wellness services to uninsured/underinsured homeless and at-risk individuals residing at HEP, and our community partners, regardless of their ability to pay. Services include a full range of dental care and chronic pain and disease self-management workshops, healthcare navigation, nutritional counseling, onsite psychiatric nurse practitioner and canine assisted therapy services provided by HEP staff and volunteer dental and healthcare professionals.
- Food and Nutrition - Onsite kitchen and dining hall provides three meals a day, seven days a week. A contracted licensed nutritionist provides one-on-one consultation to residents to support healthy eating habits and meal planning.

Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program

Notes to Financial Statements

December 31, 2018 and 2017

- Medical Care - The Morton Plant Outreach program is provided onsite through a partnership with an outreach team from Morton Plant Hospital and BayCare Health Systems. The services include medical assessments, laboratory services, and treatments for nonemergency illnesses or injuries offered by an onsite staff of licensed practical nurses, nurse practitioners, and case managers.
- Transportation - Services include transportation services of two roundtrips each weekday for veterans to Bay Pines Hospital, and transportation to and from school and activities for school aged children in the Children's Learning Center.
- Veterans Clubhouse - The Veteran's Clubhouse provides a place of camaraderie where vets from all generations can gather together for support. The Clubhouse also employs HEP Activity Coordinators, who organize group outings and volunteer opportunities for our Veteran population, so they can once again become active participants in the community as civilians.
- Workforce Development - Pathways to Employment, a partnership between HEP and BizTech Career Centers, seeks to address the issues of unemployment, underemployment and financial instability among homeless and at-risk individuals and families. This unique program is designed to provide demand-driven skills training so that our clients have skills to compete and prosper in the workforce.

Thrift Store

Onsite store provides clients with job training, clothes, and household items. All store proceeds are invested into the operations of the Organization.

Note B - Summary of Significant Accounting Policies

Basis of Presentation

The Organization's financial statements are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. The reclassifications had no effect on previously reported changes in net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less to be cash and cash equivalents. For the purpose of the statement of cash flows, the Organization considers all highly liquid investments designated for long-term purposes to be investments, not cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude donor-restricted cash and cash equivalents.

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Grants Receivable

The Organization records a receivable and grant income at the time grant funds are due from the grantor. Management estimates the allowance for uncollectible grants based on a review of the individual grant receivables outstanding as of the end of the year. As of December 31, 2018, and 2017, the Organization considers all grants receivable to be fully collectible.

Investments

Investments are carried at fair value. Donated investments are recorded at fair value at the time of receipt.

Fair Value

The Organization defines fair value in accordance with US GAAP, which specifies a hierarchy of valuation techniques. The disclosure of fair value estimates is based on whether the significant inputs into the valuation are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs. The Organization measures investments at fair value on a recurring basis.

The following is a brief description of the type of valuation information (inputs) that qualifies a financial asset for each level:

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets that are accessible by the Organization.

Level 2 - Observable prices in active markets for similar assets or liabilities. Prices for identical or similar assets or liabilities in markets that are not active. Market inputs that are not directly observable but are derived from or corroborated by observable market data.

Level 3 - Unobservable inputs based on the Organization's own judgment as to assumptions a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

The Organization evaluates the various types of financial assets and liabilities to determine the appropriate fair value hierarchy based upon trading activity and the observability of market inputs. The Organization employs control processes to validate the reasonableness of the fair value estimates of its assets and liabilities, including those estimates based on prices and quotes obtained from independent third-party sources.

Promises to Give

Unconditional promises to receive cash or other assets in the future are recorded as contributions revenue (with donor restrictions) and promises to give. Promises to give, less an allowance for uncollectible accounts, are reported at the net present value using an interest rate determined by management to be appropriate for the expected terms of the promise to give.

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Property and Equipment

Property and equipment are carried at amortized cost. Donated property and equipment are recorded at fair value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the asset, which can range as follows:

Buildings	20-30 years
Improvements	10-30 years
Furniture and equipment	3-10 years

Property acquired with governmental funds is considered to be owned by the Organization while used in the program for which it was purchased or in other future authorized programs; however, its disposition and ownership of any proceeds are subject to applicable regulations.

Beneficial Interest in Perpetual Trust

The Organization has been named as an irrevocable beneficiary of a perpetual trust held and administered by an independent trustee. A perpetual trust provides for the distribution of the net income of the trusts to the Organization; however, the Organization will never receive the assets of the trust. At the date we received notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature was recorded in the statements of activities and changes in net assets, and a beneficial interest in perpetual trust was recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trust is reported at the fair value of the trust's assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities and changes in net assets.

Loan Costs

Loan costs are presented as a reduction of mortgages payable on the accompanying statements of financial position. Loan costs are amortized over the life of the related loan and recorded as interest expense in the accompanying statements of activities and changes in net assets.

Net Assets and Revenue Recognition

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor- or grantor- imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets that are not subject to donor- or grantor- 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 Organization's management and/or board of directors.
- Net Assets With Donor Restrictions - Net assets subject to restrictions imposed by donors or grantors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by actions of the Organization or by the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

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The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or 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 the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Measure of Operations

The statements of activities and changes in net assets report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing programs. Non-operating activities are limited to resources that generate return from investments.

Contributions

Contributions, including unconditional promises to give, are recorded when received. Contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

In-Kind Contributions

Contributed use of facilities is recorded as support at its estimated fair rental value during the period of use. Other tangible donations are recorded as support at their estimated fair value during the period of use. Contributed services that require specialized skills (attorneys, doctors, etc.) are recorded in the statements of activities and changes in net assets as unrestricted support at their estimated fair value. A number of unpaid volunteers, including board members, have made significant contributions of their time to develop the Organization's programs and special events. The value of this contributed time is not reflected in the statements of activities and changes in net assets, since it is not susceptible to objective measurement or valuation. Total volunteer hours contributed were approximately 24,500 and 18,700 for the years ended December 31, 2018 and 2017, respectively.

The Organization receives contributions of goods and materials (inventory) and processes these contributions as merchandise available for sale in its retail thrift store. Management of the Organization believes that the inventory of contributed goods and materials does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine inventory value at the time of donation. It is only through the value-added processes that prepare the donated inventory for sale that donated inventory has value. Accordingly, contributed goods and materials are not valued prior to being offered for sale, and no revenue is recognized until the date of sale. There is no contributions revenue recorded in the accompanying financial statements as of December 31, 2018 or 2017 associated with this inventory.

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Functional Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of activities and changes in net assets and detailed in the statements of functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly to that program or service according to their natural classification. Certain other costs have been allocated among the programs and supporting services benefited. Salaries, payroll taxes and benefits, personnel expenses, client services, Dental and Wellness Clinic, marketing, food, in-kind services, insurance, office expense and supplies, professional fees, repairs and maintenance, technology, telephone, utilities, and transportation expense may contain allocations based on time and effort as well as direct charges. In-kind lease space is estimated and allocated based on fair market value of the property, square footage utilized, as well as direct charges. Management and general expenses that are not directly allocable are allocated based on their estimated time and effort in each program or supporting service.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private foundation (within the meaning of Section 509(a)(1) of the Internal Revenue Code). As such, no provision for income tax expense has been made in the accompanying financial statements.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recent Accounting Guidance

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles used to recognize revenue for all entities. Subsequently in August 2015, FASB issued ASU 2015-14, which delayed the effective date for nonpublic entities to annual periods beginning after December 15, 2018 (the Organization's December 31, 2019 financial statements). The Organization is currently evaluating the impact of this accounting standard on its financial statements.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify the definition of an exchange transaction and contribution and to clarify accounting for the same. The standard is effective for nonpublic entities for fiscal years beginning after December 15, 2018 (the Organization's December 31, 2019 financial statements); early adoption is permitted. The Organization is currently evaluating the impact of this accounting standard on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about the leasing arrangements. The amendments are effective for nonpublic entities for fiscal years beginning after December 15, 2019 (the Organization's December 31, 2020 financial statements). The Organization is currently evaluating the impact this accounting standard on its financial statements.

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Note C - Availability and Liquidity

The following represents the Organizations financial assets at December 31:

	<u>2018</u>	<u>2017</u>
Financial assets at year end		
Cash and cash equivalents	\$ 1,041,157	\$ 1,157,774
Grants receivable	196,182	198,441
Accounts receivable - other	1,912	1,964
Promises to give	-	109,677
Investments	5,099,061	4,896,057
Beneficial interest in perpetual trust	348,258	390,778
Total financial assets	<u>6,686,570</u>	<u>6,754,691</u>
Less amounts not available to be used within one year		
Net assets with donor restrictions	702,849	708,048
Less net assets with time restrictions to be met in less than a year	-	(109,677)
Board designated endowment	4,173,980	4,470,703
	<u>4,876,829</u>	<u>5,069,074</u>
Financial assets available to meet expenditures over the next 12 months	<u>\$ 1,809,741</u>	<u>\$ 1,685,617</u>

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in CDs and money market funds. The Organization's cash position is monitored by executive management to ensure sufficient funds are available to meet daily requirements. Daily requirements are based on the budget, contracts, payroll, and invoice schedules. The Organization also has two lines of credit, totaling \$1.9 million, available to meet cash flow needs.

The board designated endowment fund was established by the board of directors to benefit the Organization by providing regular, predictable operating income that will help fill gaps caused by increasing costs, demands, and the possibility of diminishing government support. Management expects the principal to be preserved; however, as of December 31, 2018 and 2017, the Organization has approximately \$4 million in resources that could be available upon approval of the board of directors to provide support for the Organization's programs and facilities.

Note D - Concentration of Credit Risk

The Organization maintains cash and cash equivalent balances that at times throughout the year may exceed FDIC insured limits. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant risk of loss on cash.

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Note E - Investments

Investments are summarized as follows at December 31:

	Market	Cost
<i>2018</i>		
Money market funds	\$ 343,221	\$ 342,871
Fixed income securities	1,156,455	1,185,674
Equities	3,359,563	2,591,356
Commodities	239,822	289,724
	<u>\$ 5,099,061</u>	<u>\$ 4,409,625</u>
<i>2017</i>		
Money market funds	\$ 527,568	\$ 527,203
Fixed income securities	1,017,326	1,011,832
Equities	3,288,999	2,213,382
Commodities	62,164	77,375
	<u>\$ 4,896,057</u>	<u>\$ 3,829,792</u>

Investment return consists of the following for the years ended December 31:

	2018	2017
Dividends and interest	\$ 124,090	\$ 103,813
Realized gains	41,609	60,205
Unrealized (losses) gains	(464,821)	475,606
Investment expenses	(48,031)	(44,710)
	<u>(347,153)</u>	594,914
Change in market value of beneficial interest in perpetual trust	(42,520)	28,817
	<u>\$ (389,673)</u>	<u>\$ 623,731</u>

Certain investments are pledged as collateral for the loan payable (Note K).

Note F - Promises to Give

Promises to give were designated for future periods by the donor for specific purposes and were reported as net assets with donor restrictions. When the restriction expired, the restriction was released in the statements of activities and changes in net assets.

The estimated fair value of the promises to give as of December 31, 2017 was \$109,677 and was determined by calculating the present value of the future payments expected to be received using the payment schedule established by the donor and a discount rate of 3.34%. At December 31, 2018, there were no promises to give.

Note G - Beneficial Interest in Perpetual Trust

The Organization is an income beneficiary of a perpetual trust held by a third party. The Organization's beneficial interest in this perpetual trust is measured based on the fair value of the trust assets. The change in the fair value of the trust assets is reported as a restricted gain or loss. Income distributions from the trust are reported as contributions without donor restrictions. The balance was \$348,258 and \$390,778 at December 31, 2018 and 2017, respectively.

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Note H - Fair Value of Financial Instruments

The fair value of certain of the Organization's financial instruments, including cash, grants receivable, accounts receivable - other, prepaid expenses, accounts payable and accrued liabilities, accrued payroll, and security deposits approximate cost because of their short-term nature. The fair value of the Organization's mortgages payable is considered to be comparable to the loan value of the obligation.

The classification within the fair value hierarchy of assets measured at fair value on a recurring basis is as follows at December 31:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>2018</i>				
Investments				
Money market funds	\$ 343,221	\$ 343,221	\$ -	\$ -
Fixed income securities	1,156,455	-	1,156,455	-
Equities	3,359,563	3,359,563	-	-
Commodities	239,822	-	239,822	-
Total investments	5,099,061	3,702,784	1,396,277	-
Beneficial interest in perpetual trust	348,258	-	-	348,258
	<u>\$ 5,447,319</u>	<u>\$ 3,702,784</u>	<u>\$ 1,396,277</u>	<u>\$ 348,258</u>
<i>2017</i>				
Investments				
Money market funds	\$ 527,568	\$ 527,568	\$ -	\$ -
Fixed income securities	1,017,326	-	1,017,326	-
Equities	3,288,999	3,288,999	-	-
Commodities	62,164	-	62,164	-
Total investments	4,896,057	3,816,567	1,079,490	-
Beneficial interest in perpetual trust	390,778	-	-	390,778
	<u>\$ 5,286,835</u>	<u>\$ 3,816,567</u>	<u>\$ 1,079,490</u>	<u>\$ 390,778</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Beneficial Interest in Perpetual Trust
December 31, 2017	\$ 390,778
Change in value	(42,520)
December 31, 2018	<u>\$ 348,258</u>

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Note I - Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Buildings	\$ 11,847,913	\$ 11,847,913
Building improvements	2,474,457	2,451,080
Construction in progress	132,365	5,205
Land	685,610	685,610
Land improvements	42,824	42,824
Furniture, fixtures, and equipment	1,375,052	1,354,007
	<u>16,558,221</u>	<u>16,386,639</u>
Less: accumulated depreciation	<u>(7,035,798)</u>	<u>(6,424,939)</u>
	<u>\$ 9,522,423</u>	<u>\$ 9,961,700</u>

Depreciation expense is \$610,859 and \$681,927 for the years ended December 31, 2018 and 2017, respectively.

Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress, until such time as the relevant assets are completed and put into use. Construction in progress at December 31, 2018 and 2017 represents renovations of the family transitional building.

As of December 31, 2018, the Organization had outstanding commitments under two contracts with contractors of approximately \$716,000 and \$70,000, respectively, related to construction in process.

Note J - Mortgages Payable

Mortgages Payable

Mortgages payable, net of discounts consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Mortgages payable to Pinellas County (Pinellas County Community Development), no principal payments required, interest free, collateralized by real property, forgiven if the property continues to be used for its intended purpose through 2038. In the event the Organization was to dispose of or alter the use of the property within the specified time period, a pro rata share would be required to be returned to Pinellas County.	\$ 309,268	\$ 309,268
Mortgage payable to Pinellas County (Community Development Block Grants/Entitlement Grants), no principal payments required, interest free, collateralized by real property, forgiven if the property continues to be used for its intended purpose through 2021. In the event the Organization was to dispose of or alter the use of the property within the specified time period, a pro rata share would be required to be returned to Pinellas County.	100,000	100,000

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	2018	2017
Mortgage payable to Pinellas County (Community Development Block Grants/Entitlement Grants), no principal payment required, interest free, collateralized by real property, forgiven if the property continues to be used for its intended purpose through 2031. In the event the Organization was to dispose of or alter the use of the property within the specified time period, a pro rata share would be required to be returned to Pinellas County. As of December 31, 2018, no amounts have been drawn on the loan. Subsequent to year end, the Organization has made draws totaling \$238,291 for building improvements.	-	-
Mortgage payable to Pinellas County (Home Investment Partnerships Program), monthly principal and interest payments of \$6,311 required beginning November 1, 2019; 3% annual interest rate; collateralized by real property; \$299,250 forgiven if the property continues to be used for its intended purpose through 2044.	1,800,000	1,800,000
Mortgage payable to City of Clearwater Economic Development and Housing Department (Pinellas County Community Housing Trust Fund Program - \$274,335 and Home Investment Partnerships Program - \$823,005); monthly principal and interest payments of \$3,365 required beginning January 2020; 3% annual interest rate; collateralized by real property; \$299,250 forgiven if the property continues to be used for its intended purpose through 2044. If the Organization was to dispose of or alter the use of the property within the specified time period, the entire loan balance and interest at 3% would be required to be paid to the City of Clearwater.	1,097,340	1,097,340
Mortgage payable to Clearwater Homeless Intervention Project, Inc., no principal payments required, interest free, collateralized by real property, forgiven if the property continues to be used for its intended purpose through 2021. Beginning in 2016, \$41,667 is forgiven each year. The principal and interest will be forgiven in full if the property is not sold within 10 years.	125,001	166,667
	3,431,609	3,473,275
Less loan costs	(13,172)	(13,699)
	\$ 3,418,437	\$ 3,459,576

Future maturities of mortgages payable are as follows:

Years ending December 31	Principal	Expected Forgiveness	Total
2019	\$ 6,738	\$ 41,667	\$ 48,405
2020	67,656	41,667	109,323
2021	69,307	141,667	210,974
2022	71,004	-	71,004
2023	72,745	-	72,745
Thereafter	2,011,390	907,768	2,919,158
	\$ 2,298,840	\$ 1,132,769	\$ 3,431,609

Loan Costs

Loan costs consist of the following as of December 31:

	2018	2017
Loan costs	\$ 14,753	\$ 14,753
Less accumulated amortization	(1,581)	(1,054)
	\$ 13,172	\$ 13,699

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Interest expense related to amortization of loan costs was \$527 for each of the years ended December 31, 2018 and 2017.

Note K - Loans Payable

The Organization has an agreement with Bank of America for a \$1.4 million line of credit. Borrowings under the credit line carry an interest rate of LIBOR plus 1.5% (4.50% and 3.61% at December 31, 2018 and 2017, respectively). The Organization is able to request Bank of America to make demand loans in the aggregate principal amount that would not cause the total amount outstanding to be in excess of \$1.4 million. Bank of America may decline any request at its sole discretion, with or without cause. The loan payable is due on demand and collateralized by investments without donor restrictions. There were no amounts outstanding at December 31, 2018 and 2017. The Organization paid no interest associated with this agreement for the years ended December 31, 2018 and 2017.

Additionally, the Organization has an agreement with Synovus Bank for a \$500,000 credit facility to be used for working capital needs. Borrowings under this credit line carry an interest rate of 4%. There was no amount outstanding at December 31, 2018 and 2017. The Organization paid no interest associated with this credit line for the years ended December 31, 2018 and 2017.

Note L - Net Assets

Net assets without donor restrictions were as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 7,861,575	\$ 8,004,105
Board designated endowment - Note M	4,173,980	4,470,703
	<u>\$12,035,555</u>	<u>\$12,474,808</u>

Net assets with donor restrictions were as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Subject to the passage of time:		
Promises to give - Note F	\$ -	\$ 109,677
Subject to expenditure for specified purpose:		
Dental and Wellness Clinic - comprehensive dental services, disease self-management program, nutritional counseling, wellness education, and navigation services	96,998	-
Baty Villas - permanent supportive housing in private apartments for qualified families with children	50,000	-
HEP West - single-occupancy apartments for U.S. veterans of the wars fought in Iraq and Afghanistan	7,593	7,593
	<u>154,591</u>	<u>117,270</u>
Endowment - subject to endowment spending policy and appropriation:		
Donor-restricted endowment - Note M	200,000	200,000
Not subject to spending policy or appropriation:		
Beneficial interest in perpetual trust - Note G	348,258	390,778
	<u>\$ 702,849</u>	<u>\$ 708,048</u>

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Net assets released from net assets with donor restrictions were as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Expiration of time restrictions	\$ 109,677	\$ 74,843
Release of permanent restriction by donor	-	33,469
	<u>\$ 109,677</u>	<u>\$ 108,312</u>

Note M - Endowments

The Organization's endowments include both donor-restricted and board-designated funds.

Donor-restricted

The endowment fund was established in 2006 with a donor-restricted contribution of \$200,000. According to the agreement, the original \$200,000 corpus is not subject to withdrawal, and income from the fund is available for the purchase of fixed income assets and is only allowed to be withdrawn to the extent that the income, net of all expenses of the fund, exceeds one-half of the Consumer Price Index as published in the Wall Street Journal for the calendar year preceding any withdrawals. The right to withdrawal is non-cumulative. In November 2017, the endowment fund agreement was amended by the donor to eliminate all previous restrictions. The original \$200,000 corpus plus all cumulative earnings may now be co-invested with the Organization's investments; however, the balance of this fund may never fall below \$200,000. If the balance falls below \$200,000, then no further withdrawals from the account can be made including interest and/or dividend income until such time as the balance exceeds \$200,000. If circumstances for the Organization become financially catastrophic, a portion of the original contribution may be spent with approval by at least 75% of the board.

With respect to the donor-restricted endowment, the Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (Florida UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date, absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted permanent endowment, (b) the original value of subsequent gifts to the donor-restricted permanent endowment, and (c) accumulations to the donor-restricted permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with Florida UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Board Designated

The board designated endowment fund was established by the board of directors to benefit the Organization by providing regular, predictable operating income that will help fill gaps caused by increasing costs, demands, and the possibility of diminishing government support. Management expects the principal to be preserved; however, the principal and earnings are available to provide support for the Organization's programs and facilities.

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Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted investment and spending policies, approved by the board of directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the objective for the portfolio is a balanced return focusing on capital appreciation with a secondary focus on current income through a higher allocation to equities than fixed income and where appropriate other asset classes.

Endowment assets are invested in a well-diversified asset mix, including equity and debt securities, intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment net asset composition by type of fund is as follows as of December 31:

	Without Donor Restrictions	With Donor Restrictions	Total
<i>2018</i>			
Donor-restricted endowment funds	\$ -	\$ 200,000	\$ 200,000
Board designated endowment funds	4,173,980	-	4,173,980
	<u>\$ 4,173,980</u>	<u>\$ 200,000</u>	<u>\$ 4,373,980</u>
<i>2017</i>			
Donor-restricted endowment funds	\$ -	\$ 200,000	\$ 200,000
Board designated endowment funds	4,470,703	-	4,470,703
	<u>\$ 4,470,703</u>	<u>\$ 200,000</u>	<u>\$ 4,670,703</u>

Changes in endowment net assets are as follows for the years ended December 31:

	Without Donor Restrictions	With Donor Restrictions	Total
<i>2018</i>			
Endowment net assets, beginning	\$ 4,470,703	\$ 200,000	\$ 4,670,703
Contributions	-	-	-
Investment losses, net	(248,692)	-	(248,692)
Distributions	(48,031)	-	(48,031)
Transfers between classes	-	-	-
Amounts appropriated for expenditure	-	-	-
Endowment net assets, ending	<u>\$ 4,173,980</u>	<u>\$ 200,000</u>	<u>\$ 4,373,980</u>
<i>2017</i>			
Endowment net assets, beginning	\$ 4,099,013	\$ 228,411	\$ 4,327,424
Contributions	10,094	-	10,094
Investment income, net	632,929	5,058	637,987
Distributions	(304,802)	-	(304,802)
Transfers between classes	33,469	(33,469)	-
Amounts appropriated for expenditure	-	-	-
Endowment net assets, ending	<u>\$ 4,470,703</u>	<u>\$ 200,000</u>	<u>\$ 4,670,703</u>

Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program
Notes to Financial Statements
December 31, 2018 and 2017

Note N - In-Kind Revenue and Expenses

Included as unrestricted support and expense are the following in-kind contributions for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Food	\$ 555,612	\$ 544,187
Lease space	398,341	393,107
Dental services	390,900	483,900
Psychiatric counseling	107,626	85,086
Thrift store	21,507	10,142
Other	-	3,241
	<u>\$ 1,473,986</u>	<u>\$ 1,519,663</u>

As discussed in Note B, contributed services and tangible donations are recorded at their estimated fair values. The Thrift Store in-kind contributions recorded above are only for clothing provided to clients.

Note O - Leases

The Organization leases real property from Everybody's Tabernacle (Church), a local community church, for its service building at an annual nominal rate of \$12,000 per year for a term of 20 years expiring 2028, compounding at a rate of 2% per year.

The dental clinic, as well as the houses and dormitories used in emergency and transitional housing for the homeless, are leased from the Church for one year at \$1 per year. The fair rental value of \$398,341 and \$393,109 was recognized as in-kind contributions revenue and in-kind lease space expenses in the accompanying financial statements for the years ended December 31, 2018 and 2017, respectively.

Note P - Related Parties

The pastor and the president of the Church serve on the board of directors. In 2018 and 2017, the Church leased real property to the Organization for a nominal rate.

For each of the years ended December 31, 2018 and 2017, the Church reimbursed the Organization approximately \$20,000 for salaries and benefits for the Church's receptionist.

The Organization rents two houses from its founder emeritus for \$1,500 a month. Total rent paid to the founder emeritus for each of the years ended December 31, 2018 and 2017 was \$18,000.

Note Q - Contingencies

The Organization is subject to federal and state examination to determine compliance with grant funding requirements. In the event that expenditures are disallowed, repayment could be required. It is the opinion of management that no expenditures will be disallowed.

Note R - Subsequent Events

Management has evaluated all events subsequent to the statement of financial position date of December 31, 2018 through May 29, 2019, which is the date the financial statements were available to be issued. Other than as discussed in Note J, there were no subsequent events that would require adjustment to, or disclosure in, the accompanying financial statements.

Supplementary Information

Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Federal Agency <i>Pass-through Entity</i> Federal Program	Identifying Number	CFDA Number	Expenditures	Transfers to Subrecipients
U.S. Department of Housing and Urban Development				
<i>Passed through Pinellas County</i>				
Community Development Block Grants/Entitlement Grants	N/A	14.218	\$ 100,000 *	\$ -
Community Development Block Grants/Entitlement Grants	N/A	14.218	-	-
<i>Passed through City of Clearwater</i>				
Community Development Block Grants/Entitlement Grants	N/A	14.218	94,000	-
Community Development Block Grants/Entitlement Grants	N/A	14.218	9,459	-
Total for CFDA #14.218			<u>203,459</u>	<u>-</u>
<i>Passed through Florida Department of Children and Families</i>				
Emergency Solutions Grant Program	ESG18HEP	14.231	37,896	-
Emergency Solutions Grant Program	QP17D-ESG18-1	14.231	140,951	-
Total for CFDA #14.231			<u>178,847</u>	<u>-</u>
<i>Direct award</i>				
Supportive Housing Program	FL0035L4H021709	14.235	60,732	-
Supportive Housing Program	FL0030L4H021508	14.235	93,837	-
Total for CFDA #14.235			<u>154,569</u>	<u>-</u>
<i>Passed through City of Clearwater</i>				
HOME Investment Partnerships Program	N/A	14.239	823,005 *	-
<i>Passed through Pinellas County</i>				
HOME Investment Partnerships Program	N/A	14.239	1,800,000 *	-
Total for CFDA #14.239			<u>2,623,005</u>	<u>-</u>
<i>Direct award</i>				
Section 8 Housing Choice Vouchers	52530B	14.871	99,018	-
Total U.S. Department of Housing and Urban Development			<u>3,258,898</u>	<u>-</u>
U.S. Department of Transportation				
<i>Direct award</i>				
Enhanced Mobility of Seniors and Individuals with Disabilities	GOC90	20.513	20,516	-
Total U.S. Department of Transportation			<u>20,516</u>	<u>-</u>
U.S. Department of Veteran Affairs				
<i>Direct award</i>				
VA Homeless Providers Grant and Per Diem Program	HEPI694-0654-516-CT-18-0	64.024	565,884	-
Total U.S. Department of Veteran Affairs			<u>565,884</u>	<u>-</u>
U.S. Department of Homeland Security				
<i>Direct award</i>				
Emergency Food and Shelter	169400-006 Phase 34	97.024	12,286	-
Total U.S. Department of Homeland Security			<u>12,286</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 3,857,584</u>	<u>\$ -</u>

* Represents the balance of a loan from a previous year for which the federal government imposes continuing compliance requirements

Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activities of Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program (the Organization). The information in the schedule is presented in accordance with the requirements of Subpart F Title 2 U.S. Code of Federal Regulations (CFR), Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Some amounts presented in the schedule may differ from amounts presented or used in the preparation of the financial statements.

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 limited as to reimbursement.

Note C - Indirect Costs

The Organization did not elect to use the 10% de minimis indirect cost rate allowed by the Uniform Guidance.

Note D - Loans

The Organization had the following loan balances at December 31, 2018:

CFDA Number	Description	Original Loan Amount	Balance at January 1, 2018	Additional Loan Funding	Balance at December 31, 2018
14.218	Community Development Block Grants/Entitlement Grants	\$ 100,000	\$ 100,000	\$ -	\$ 100,000
14.239	Home Investment Partnerships Program	\$ 823,005	\$ 823,005	\$ -	\$ 823,005
14.239	Home Investment Partnerships Program	\$1,800,000	\$1,800,000	\$ -	\$ 1,800,000

Note E - Contingencies

Expenditures incurred by the Organization are subject to audit and possible disallowance by the federal grantor agencies. Management believes that, if audited, any adjustment for disallowed expenses would be immaterial.



**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
Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program
Clearwater, Florida

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 Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program, which comprise the statement of financial position as of December 31, 2018; the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements, and have issued our report thereon dated May 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program'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 Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program's internal control. Accordingly, we do not express an opinion on the effectiveness of Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program's internal control.

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

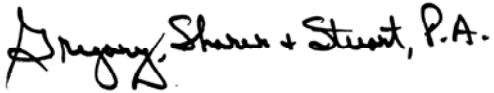
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program's financial statements are free from material misstatement, we performed tests of their 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*.

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 Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gregory, Sharer & Stuart, P.A.A handwritten signature in black ink that reads "Gregory, Sharer & Stuart, P.A." in a cursive style.

St. Petersburg, Florida
May 29, 2019



**Independent Auditor's Report
on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance**

Board of Directors
Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program
Clearwater, Florida

Report on Compliance for Each Major Federal Program

We have audited Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program'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 Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program's major federal programs for the year ended December 31, 2018. Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program'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 (CFR), 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 Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program'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 of Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program's compliance.

Opinion on Each Major Federal Program

In our opinion, Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program 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, 2018.

Report on Internal Control over Compliance

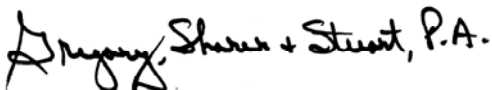
Management of Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Homeless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

Gregory, Sharer & Stuart, P.A.



St. Petersburg, Florida
May 29, 2019

Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program
Schedule of Findings and Questioned Costs
Year ended December 31, 2018

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?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor's reports issued on compliance for federal awards: Unmodified

Internal control over major federal programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None reported

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.239	Home Investment Partnerships Program

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

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

None reported.

Section III - Federal Awards Findings and Questioned Costs

None reported.

Section IV - Other Matters

No summary schedule of prior audit findings is required because there were no prior audit findings.

No corrective action plan is required because there were no findings required to be reported.