

Homeless Empowerment Program

Financial Report and Compliance Report
December 31, 2020

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RSM US LLP

Independent Auditor's Report

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

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, 2020 and 2019, 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, 2020 and 2019, 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 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 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 19, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

RSM US LLP

St. Petersburg, Florida
May 19, 2021

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

Statement of Financial Position
December 31, 2020
(With Comparative Totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,675,525	\$ 209,458	\$ 1,884,983	\$ 909,014
Grants receivable	154,973	40,000	194,973	227,117
Accounts receivable – other	151,362	-	151,362	21,889
Prepaid expenses	89,603	-	89,603	105,078
Investments	1,487,188	-	1,487,188	815,518
Unconditional promises to give	29,040	-	29,040	47,804
Estate receivables	-	1,679,041	1,679,041	3,332,072
Other assets	7,145	-	7,145	7,309
Total current assets	3,594,836	1,928,499	5,523,335	5,465,801
Noncurrent assets:				
Property and equipment, net	9,493,446	-	9,493,446	9,892,031
Investments	5,549,539	265,912	5,815,451	5,335,348
Beneficial interest in trusts	-	1,199,254	1,199,254	1,090,796
Total noncurrent assets	15,042,985	1,465,166	16,508,151	16,318,175
Total assets	\$ 18,637,821	\$ 3,393,665	\$ 22,031,486	\$ 21,783,976
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 77,503	\$ -	\$ 77,503	\$ 237,249
Accrued payroll	103,866	-	103,866	73,223
Security deposits	890	-	890	890
Deferred revenue	-	20,221	20,221	-
Mortgages payable, current portion, net of mortgage costs	141,141	-	141,141	41,140
Total current liabilities	323,400	20,221	343,621	352,502
Mortgages payable, net of mortgage costs	3,605,018	-	3,605,018	3,709,236
Total liabilities	3,928,418	20,221	3,948,639	4,061,738
Net assets:				
Without donor restrictions	9,159,864	-	9,159,864	7,662,412
Without donor restrictions – board designated	5,549,539	-	5,549,539	5,091,389
Total without donor restrictions	14,709,403	-	14,709,403	12,753,801
With donor restrictions	-	3,373,444	3,373,444	4,968,437
Total net assets	14,709,403	3,373,444	18,082,847	17,722,238
Total liabilities and net assets	\$ 18,637,821	\$ 3,393,665	\$ 22,031,486	\$ 21,783,976

See notes to financial statements.

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

**Statement of Financial Position
December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 632,404	\$ 276,610	\$ 909,014
Grants receivable	227,117	-	227,117
Accounts receivable – other	21,889	-	21,889
Prepaid expenses	105,078	-	105,078
Investments	815,518	-	815,518
Unconditional promises to give	22,804	25,000	47,804
Estate receivables	-	3,332,072	3,332,072
Other assets	7,309	-	7,309
Total current assets	1,832,119	3,633,682	5,465,801
Noncurrent assets:			
Property and equipment, net	9,892,031	-	9,892,031
Investments	5,091,389	243,959	5,335,348
Beneficial interest in trusts	-	1,090,796	1,090,796
Total noncurrent assets	14,983,420	1,334,755	16,318,175
Total assets	\$ 16,815,539	\$ 4,968,437	\$ 21,783,976
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 237,249	\$ -	\$ 237,249
Accrued payroll	73,223	-	73,223
Security deposits	890	-	890
Mortgages payable, current portion, net of mortgage costs	41,140	-	41,140
Total current liabilities	352,502	-	352,502
Mortgages payable, net of mortgage costs	3,709,236	-	3,709,236
Total liabilities	3,709,236	-	3,709,236
Net assets:			
Without donor restrictions	7,662,412	-	7,662,412
Without donor restrictions – board designated	5,091,389	-	5,091,389
Total without donor restrictions	12,753,801	-	12,753,801
With donor restrictions	-	4,968,437	4,968,437
Total net assets	12,753,801	4,968,437	17,722,238
Total liabilities and net assets	\$ 16,815,539	\$ 4,968,437	\$ 21,783,976

See notes to financial statements.

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

Statement of Activities and Changes in Net Assets
 Year Ended December 31, 2020
 (With Comparative Totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Public support and revenue:				
Contributions	\$ 1,093,454	\$ -	\$ 1,093,454	\$ 1,086,753
Estates and trusts	-	161,051	161,051	4,381,955
In-kind contributions – services and other	1,321,160	-	1,321,160	1,557,469
Grants	2,227,935	221,643	2,449,578	2,775,044
Client fees	308,042	-	308,042	357,765
Special events revenue, net	92,961	-	92,961	126,977
Thrift store sales	321,989	-	321,989	356,624
Other	767,075	-	767,075	109,961
Change in value of beneficial interest in trusts	-	108,459	108,459	-
Net assets released from restriction	2,078,383	(2,078,383)	-	-
Reclassifications based on change in donor intent	29,716	(29,716)	-	-
Total public support and revenue	8,240,715	(1,616,946)	6,623,769	10,752,548
Expenses:				
Program services	5,671,890	-	5,671,890	5,827,080
Management and general	666,365	-	666,365	613,129
Development (fundraising)	524,819	-	524,819	531,226
Total expenses	6,863,074	-	6,863,074	6,971,435
Changes in net assets before investment return, net	1,377,641	(1,616,946)	(239,305)	3,781,113
Investment return, net	577,961	21,953	599,914	1,202,721
Changes in net assets	1,955,602	(1,594,993)	360,609	4,983,834
Net assets:				
Beginning	12,753,801	4,968,437	17,722,238	12,738,404
Ending	\$ 14,709,403	\$ 3,373,444	\$ 18,082,847	\$ 17,722,238

See notes to financial statements.

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

Statement of Activities and Changes in Net Assets Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions	\$ 1,032,037	\$ 54,716	\$ 1,086,753
Estates and trusts	356,514	4,025,441	4,381,955
In-kind contributions – services and other	1,557,469	-	1,557,469
Grants	2,560,621	214,423	2,775,044
Client fees	357,765	-	357,765
Special events revenue, net	126,977	-	126,977
Thrift store sales	356,624	-	356,624
Other	109,961	-	109,961
Net assets released from restriction	141,088	(141,088)	-
Total public support and revenue	6,599,056	4,153,492	10,752,548
Expenses other than depreciation:			
Program services	5,827,080	-	5,827,080
Management and general	613,129	-	613,129
Development (fundraising)	531,226	-	531,226
Total expenses other than depreciation	6,971,435	-	6,971,435
Changes in net assets before investment return, net	(372,379)	4,153,492	3,781,113
Investment return, net	1,090,625	112,096	1,202,721
Changes in net assets	718,246	4,265,588	4,983,834
Net assets			
Beginning	12,035,555	702,849	12,738,404
Ending	\$ 12,753,801	\$ 4,968,437	\$ 17,722,238

See notes to financial statements.

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

Statement of Functional Expenses Year Ended December 31, 2020 (With Comparative Totals for 2019)

	2020											2019 Total
	Program Services										Total	
	Housing Programs				Total Housing Programs	Support Services	Thrift Store	Total Program Services	Management and General	Development (Fundraising)		
Outreach	Emergency	Transitional	Permanent									
Salaries and related expenses:												
Salaries	\$ 132,753	\$ 464,526	\$ 341,826	\$ 398,764	\$ 1,337,869	\$ 519,607	\$ 227,776	\$ 2,085,252	\$ 407,110	\$ 325,496	\$ 2,817,858	\$ 2,530,704
Payroll taxes and benefits	27,434	88,098	50,922	72,403	238,857	91,782	35,900	366,539	77,827	54,266	498,632	456,226
Personnel expenses	1,298	4,935	3,478	4,967	14,678	7,704	3,908	26,290	3,906	3,235	33,431	33,134
Total salaries and related expenses	161,485	557,559	396,226	476,134	1,591,404	619,093	267,584	2,478,081	488,843	382,997	3,349,921	3,020,064
Client services	12,330	28,726	141,088	94,582	276,726	100,501	7,129	384,356	7,629	10,539	402,524	481,304
Contract labor	-	-	-	-	-	-	-	-	-	-	-	1,275
Dental and Wellness Clinic	11,461	39,934	42,164	66,245	159,804	6,821	-	166,625	-	-	166,625	417,316
Marketing	2	2	2	2	8	14	3,363	3,385	424	23,513	27,322	38,306
Food	31,229	96,931	134,510	168,956	431,626	12,561	19	444,206	688	16	444,910	615,818
In-kind lease space	-	41,990	205,488	76,040	323,518	71,324	-	394,842	22,236	20,995	438,073	431,161
In-kind services	24,103	76,932	88,674	136,586	326,295	-	-	326,295	-	-	326,295	182,901
Insurance	3,079	11,318	28,718	39,511	82,626	17,077	7,092	106,795	6,764	4,850	118,409	96,476
Interest	-	-	-	527	527	-	-	527	-	-	527	527
Job training	-	-	-	-	-	-	-	-	-	-	-	3,500
Learning center activities	-	-	-	-	-	22,250	-	22,250	-	-	22,250	91,755
Office expenses and supplies	2,151	7,952	6,937	7,221	24,261	14,426	10,106	48,793	12,060	35,552	96,405	100,813
Professional fees	2,220	8,307	6,970	5,673	23,170	10,861	4,699	38,730	9,227	3,445	51,402	35,061
Repairs and maintenance	11,119	24,452	43,617	81,198	160,386	38,200	24,427	223,013	8,518	6,091	237,622	245,389
Technology	1,416	5,132	4,167	3,364	14,079	11,464	2,800	28,343	2,640	31,362	62,345	82,445
Telephone	1,008	4,150	8,124	6,146	19,428	7,402	2,463	29,293	3,886	3,002	36,181	36,764
Utilities	18,360	29,155	78,511	141,930	267,956	31,090	26,232	325,278	2,121	1,439	328,838	405,214
Transportation expense	6,121	12,230	2,574	5,997	26,922	38,973	12,892	78,787	33	931	79,751	89,114
Depreciation	2,419	16,300	64,019	379,223	461,961	81,740	28,590	572,291	101,296	87	673,674	596,232
	\$ 288,503	\$ 961,070	\$ 1,251,789	\$ 1,689,335	\$ 4,190,697	\$ 1,083,797	\$ 397,396	\$ 5,671,890	\$ 666,365	\$ 524,819	\$ 6,863,074	\$ 6,971,435

See notes to financial statements.

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

Statement of Functional Expenses Year Ended December 31, 2019

	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 and related expenses:											
Salaries	\$ 138,702	\$ 481,108	\$ 336,388	\$ 270,563	\$ 1,226,761	\$ 428,013	\$ 188,097	\$ 1,842,871	\$ 369,910	\$ 317,923	\$ 2,530,704
Payroll taxes and benefits	27,960	92,225	53,475	46,260	219,920	80,720	28,508	329,148	70,381	56,697	456,226
Personnel expenses	1,646	6,297	4,132	3,294	15,369	5,841	3,157	24,367	5,709	3,058	33,134
Total salaries and related expenses	168,308	579,630	393,995	320,117	1,462,050	514,574	219,762	2,196,386	446,000	377,678	3,020,064
Client services	13,376	39,250	181,458	83,712	317,796	146,187	5,071	469,054	1,171	11,079	481,304
Contract labor	-	-	-	-	-	-	1,275	1,275	-	-	1,275
Dental and Wellness Clinic	33,560	117,982	120,573	131,303	403,418	13,898	-	417,316	-	-	417,316
Marketing	-	2,164	-	-	2,164	330	930	3,424	251	34,631	38,306
Food	47,639	152,807	174,101	183,255	557,802	56,283	107	614,192	1,536	90	615,818
In-kind lease space	-	41,990	199,536	75,080	316,606	71,324	-	387,930	22,236	20,995	431,161
In-kind services	15,653	50,360	56,240	60,648	182,901	-	-	182,901	-	-	182,901
Insurance	2,934	10,495	31,329	17,427	62,185	18,134	6,531	86,850	4,344	5,282	96,476
Interest	-	-	-	527	527	-	-	527	-	-	527
Job training	-	-	3,500	-	3,500	-	-	3,500	-	-	3,500
Learning center activities	-	-	-	-	-	91,755	-	91,755	-	-	91,755
Office expenses and supplies	3,153	11,454	9,069	12,915	36,591	8,792	10,390	55,773	10,890	34,150	100,813
Professional fees	1,644	5,468	4,490	3,653	15,255	10,571	3,519	29,345	2,749	2,967	35,061
Repairs and maintenance	18,225	34,283	50,623	82,344	185,475	24,296	23,222	232,993	5,562	6,834	245,389
Technology	2,402	8,203	6,182	8,692	25,479	18,266	5,929	49,674	2,335	30,436	82,445
Telephone	1,083	4,627	9,364	5,128	20,202	5,329	2,038	27,569	5,041	4,154	36,764
Utilities	25,847	56,455	99,536	143,830	325,668	44,103	30,914	400,685	2,032	2,497	405,214
Transportation expense	5,733	11,677	1,853	5,577	24,840	52,348	11,378	88,566	115	433	89,114
Depreciation	334	15,158	75,241	265,568	356,301	101,807	29,257	487,365	108,867	-	596,232
	\$ 339,891	\$ 1,142,003	\$ 1,417,090	\$ 1,399,776	\$ 4,298,760	\$ 1,177,997	\$ 350,323	\$ 5,827,080	\$ 613,129	\$ 531,226	\$ 6,971,435

See notes to financial statements.

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

Statement of Cash Flows Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Changes in net assets	\$ 360,609	\$ 4,983,834
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	673,674	596,232
Amortization of mortgage costs	527	527
Realized and unrealized gains on investments	(599,914)	(1,039,429)
Donated investments	(40,984)	(56,212)
Contribution of beneficial interest in trusts	-	(693,369)
Distributions of beneficial interest in trusts	-	18,968
Gain on trust assets	(108,458)	(68,137)
Forgiveness of mortgages payable	(41,666)	(41,666)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	32,144	(30,935)
Accounts receivable – other	(129,473)	(19,977)
Prepaid expenses	15,475	(43,269)
Unconditional promises to give	18,764	(19,247)
Estate receivables	1,653,031	(3,332,072)
Other assets	164	(164)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(159,746)	147,729
Accrued payroll	30,643	13,970
Deferred revenue	20,221	-
Net cash provided by operating activities	1,725,011	416,783
Cash flows from investing activities:		
Purchases of investments	(557,575)	(159,529)
Proceeds from sale of investments	46,700	203,365
Purchases of property and equipment	(275,089)	(965,840)
Net cash used in investing activities	(785,964)	(922,004)
Cash flows from financing activities:		
Proceeds from issuance of mortgages payable	36,922	373,078
Net cash provided by financing activities	36,922	373,078
Increase (decrease) in cash and cash equivalents	975,969	(132,143)
Cash and cash equivalents:		
Beginning	909,014	1,041,157
Ending	\$ 1,884,983	\$ 909,014
Supplemental schedules of noncash operating and financing activities:		
Contribution of beneficial interest in trust	\$ -	\$ 693,369
Maturity of forgivable mortgages payable	\$ 41,666	\$ 41,666

See notes to financial statements.

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

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: 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. Three balanced meals are offered daily, as are nutritious snacks, as part of our meal services program. After-school and summer programs historically made available to school-age youth in HEP's licensed childcare center have been discontinued indefinitely due to Covid-19. Community partnership with the Early Learning Coalition has been established in lieu of on-site programming to ensure continual needs are met.

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: 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

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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 were available prior to Covid-19 closures.

Veteran's 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: HEP's Workforce Development Program, in partnership with the Pinellas County School Board (PCSB), provides employment services addressing the issues of unemployment, underemployment and financial stability among homeless and at-risk individuals and families. HEP residents have access to all support offered in HEP's North Greenwood Adult Education and Workforce Development Center to further employment and educational opportunities free of charge.

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

A summary of the Organization's significant accounting policies follows:

Basis of presentation: A nonprofit organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Contributions and other inflows of assets that are not subject to donor imposed stipulations but may be designated for specific purposes by action of the Board of Directors (Board). Net assets without donor restrictions include expendable funds available to support operations, as well as net assets invested in property and equipment.

Net assets with donor restrictions: Contributions and other inflows of assets subject to donor imposed stipulations that may or will be met by actions of the Organization or the passage of time or are permanently maintained by the Organization. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restriction.

Use of estimates: The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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 statements of cash flows, the Organization considers all highly liquid investments designated for long-term purposes to be investments, not cash equivalents.

Concentration of credit risk: The Organization maintains its cash in demand deposit accounts at several financial institutions which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk in regards to cash and cash equivalents.

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, 2020 and 2019, the Organization considers all grants receivable to be fully collectible.

Investments and endowment: Investments are carried at fair value. The fair value of publically traded securities is based on quoted market prices established by the major security markets. Investment securities in general are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the statements of financial position and activities.

Purchases and sales of securities are recorded on trade dates. Investment income and realized and unrealized gains or losses are reflected in the statements of activities and changes in net assets within investment return, net. Donated investments are recorded at fair value at the time of receipt.

Net investment return from investments without donor restrictions are reported as revenue without donor restrictions. Net investment return for investments of net assets held in perpetuity are reported as increases in net assets with donor restrictions.

Effective July 1, 2012, the State of Florida adopted the Uniform Prudent Management of Institutional Funds Act (FUPMIFA). Absent explicit donor stipulations to the contrary, the Board has interpreted FUPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of the gifts donated to the endowment to be held in perpetuity, (b) the original value of subsequent gifts to the endowment to be held in perpetuity and (c) accumulations to the endowment to be held in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time that accumulation is added to the fund.

The Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

- Donor desire and restrictions
- General economic conditions
- Possible effect of inflation and deflation
- Historical and expected total return from income and appreciation on investments
- Other resources of the Organization
- The investment policy of the Organization
- The preservation and protection of assets

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

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Spending policy: Endowments are established to preserve principal and generate an income stream to support the purpose of the funds held. A spending policy establishes a reasonable, sustainable, consistent and predictable expenditure level, which enables the Organization to use the endowment earnings to support its operation to the fullest extent possible while ensuring the principal value of the endowment is maintained and protected from the effects of inflation. The Organization's policy does not prohibit spending from underwater endowment funds if it is necessary although it has been management's practice not to do so.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Board, endowment assets are invested in a manner that is intended to protect against loss associated with a single security, industry, issuer or event.

The Organization has an overall goal in the strategic plan to increase the endowments while maintaining the funding of programs at their current level. The Organization does not have a formal spending policy and instead approves annual appropriations from its endowments during its annual budgetary process. During the years ended December 31, 2020 and 2019, the Organization did not appropriate any earnings from endowment funds to current year operations.

Investment policy: The Organization's objective, with regards to investment performance, is structured for capital appreciation with a potential for current income through a higher allocation of equities than fixed income and, where appropriate other asset classes. Asset allocations include varying percentages of cash, equity, fixed income and commodity classes. Investment performance of the portfolio is monitored by comparison to a broad-based securities market index or other appropriate benchmark, including the S&P 500, Russell 1000, MSIC and Bloomberg Barclays U.S. Aggregated Bond Index, among others.

Fair value measurements: The Organization defines fair value in accordance with U.S. 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 or liability 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.

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

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the report date.

During the years ended December 31, 2020 and 2019, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its statements of financial position or activities and change in net assets.

Unconditional promises to give: Unconditional promises to give are recorded in the year the promise is made. Conditional promises to give are not recorded as support until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

The carrying amount of unconditional promises to give is reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected based on historical experience and an assessment of individual balances. Certain accounts are written off under the direct write-off method; other accounts are part of the reserve for doubtful accounts established based on management's review of individual donors. As of December 31, 2020 and 2019, the Organization considers all unconditional promises to give to be fully collectible.

Estate receivables: The Organization has been named as a beneficiary of future distributions from various estates. These estate receivables are recorded upon the Organization's interest becoming irrevocable and measurable.

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. Assets with costs greater than \$5,000 and estimated useful lives greater than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the asset, which can range as follows:

	<u>Years</u>
Buildings	20-30
Improvements	10-30
Furniture and equipment	3-10

Expenditure for renewals and improvements that significantly add to the productive capacity or extend the useful lives of property and equipment are capitalized. Expenditures for normal repairs and maintenance are expensed as incurred. Upon retirement, sale or other disposition of property and equipment, the costs and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included within the statements of activities and changes in net assets.

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.

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

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Construction in progress is not depreciated until put into service.

The Organization evaluates the various types of financial assets and liabilities to determine the expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of the asset are capitalized. Expenditures for normal repairs and maintenance are expensed as incurred. Upon retirement, sale or other disposition of property and equipment, costs and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included within the statements of activities and change in net assets.

Impairment of long-lived assets: The Organization evaluates the recoverability of its buildings, improvements and furniture and equipment whenever adverse events or changes in the business climate indicate that the expected undiscounted future cash flows from the related asset may be less than previously anticipated. If the net book value of the related asset exceeds the undiscounted future cash flows of the asset, the carrying amount would be reduced to the present value of its expected future cash flows and an impairment loss would be recognized. Management believes no indication of impairment existed at December 31, 2020 and 2019.

Beneficial interest in trusts: The Organization has been named as an irrevocable beneficiary of a perpetual trust and charitable remainder unitrust held and administered by independent trustees. 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. A charitable remainder unitrust provides for specified distributions of trust assets, including net income, over the trust term. At the date the Organization received notice of a beneficial interest, a contribution with donor restrictions was recorded in the statements of activities and changes in net assets, and a beneficial interest was recorded in the statements of financial position at the fair value of the underlying trust assets. Changes in the fair value of the trust assets are recorded as an increase or decrease in net assets with donor restrictions on the statements of activities and changes in net assets.

Mortgage costs: Mortgage costs represent costs incurred to obtain financing are presented as a reduction of mortgages payable on the accompanying statements of financial position. These costs are being amortized over a straight-line basis, which approximates the effective interest method over the life of the related loan and are recorded within interest expense in the statements of functional expenses.

Advertising expense: The Organization expenses advertising costs as incurred.

Revenue recognition: The Organization recognizes revenue from contracts with customers utilizing a five-step model as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Organization's revenue from contracts with customers consists of thrift store sales. The Organization's contracts have a single performance obligation. The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring goods to the customer. Revenue is recorded based on transaction price, which is a fixed consideration. The Organization does offer some discounts, which would be variable consideration, but these discounts are insignificant.

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

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The Organization recognizes revenue at a point in time when control of the of the Organization's goods is passed to the customer, which typically occurs at point of sale and is when customer payment is collected.

Client fees: Client fees is made up of rental income as is earned based on agreed rates for services provided.

Contributions: Unconditional contributions are initially recognized at fair value in the period the promises are received. Conditional contributions or intentions to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend on are substantially met. In the absences of donor stipulations, unconditional contributions are reported as revenue without donor restrictions. Amounts received that are restricted by the donor for specific purposes are reported as revenue with donor restrictions. The Organization has adopted the accounting policy of not implying a time restriction on long-lived asset donations when the donor does not stipulate how long the asset must be used. 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.

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 support without donor restriction 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. However, the value of this contributed time is not reflected in the statements of activities and changes in net assets in accordance with U.S. GAAP. Total volunteer hours contributed were approximately 8,400 and 24,200 for the years ended December 31, 2020 and 2019, 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 contribution revenue recorded in the accompanying financial statements for the years ending December 31, 2020 or 2019, associated with this inventory.

Grant revenue: Support and revenue related to government and other private grants is recognized when funds are utilized by the Organization to carry out the activity stipulated by the grant or contract since such contracts can be terminated by the grantor, or refunding can be required under certain circumstances coupled with other performance and/or control barriers. For this reason, the Organization's agreements are considered conditional and so referred to as "conditional grants".

Recently adopted accounting pronouncement: In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2018-13, *Fair Value Measurements (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Organization adopted this standard retrospectively in the current year. The adoption of this ASU did not have a significant impact on the financial statements.

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

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Recently issued accounting pronouncements: In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit entities. The ASU will require a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities apart from contributions of cash or other financial assets. The ASU will also require enhanced disclosure, including disaggregation of nonfinancial assets recognized by category and qualitative information about each category. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021, and interim periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently evaluating the impact this ASU will have on the financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. In June 2020, the FASB issued ASU 2020-05 to defer the effective date of ASU 2016-02 for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact this accounting standard on its financial statements.

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 qualified under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes except for net revenue from unrelated business activities. As such, no provision for income tax expense has been made in the accompanying financial statements.

The Organization recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination of the taxing authorities. Management evaluated the Organization's tax positions and concluded that the Organization had no material uncertainties in income taxes as of December 31, 2020 and 2019.

The Organization is no longer subject to income tax examinations by the U.S. federal, state or local authorities for fiscal years before 2017.

Reclassifications: Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation. The reclassifications had no effect on previously reported changes in net assets.

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

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Subsequent events: Management has evaluated all events subsequent to the statements of financial position date of December 31, 2020 through May 19, 2021, which is the date the financial statements were available to be issued.

Note 2. Available Resources and Liquidity

The Organization regularly monitors liquidity required to meet its operating needs. For purposes of analyzing resources available to meet general expenditures, such as operating expenses or capital projects, the Organization considers all expenditures related to its ongoing activities. The financial assets and liquidity resources available within one year for general expenditure comprise the following as of December 31, 2020 and 2019:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,884,983	\$ 909,014
Grants receivable	194,973	227,117
Accounts receivable – other	151,362	21,889
Unconditional promises to give	29,040	47,804
Estate receivables	1,679,041	3,332,072
Investments	7,302,639	6,150,866
Beneficial interest in trusts	1,199,254	1,090,796
Total financial assets	<u>12,441,292</u>	<u>11,779,558</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	3,373,444	4,968,437
Less net assets with time restrictions to be met in less than a year	(1,679,041)	(3,357,072)
Board designated endowment	5,549,539	5,091,389
	<u>7,243,942</u>	<u>6,702,754</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 5,197,350</u>	<u>\$ 5,076,804</u>

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in certificates of deposits 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.

Additionally, not included as available are the Organization's board designated endowment totaling \$5,549,539 and \$5,091,389 as of December 31, 2020 and 2019, and its two lines of credit with available balances totaling \$1.9 million. The board designated endowment fund was established by the Board 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. Although the Organization does not intend to spend from this internally designated fund other than amounts appropriated for general expenditure as a part of its annual budget approval and appropriation process or draw from its lines of credit, amounts could be made available if necessary to provide support for the Organization's programs and facilities.

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

Notes to Financial Statements

Note 3. Unconditional Promises to Give and Estate Receivables

Unconditional promises to give and estate receivables at December 31, 2020 and 2019 are expected to be collected as follows:

	2020	2019
Less than one year	\$ 1,708,081	\$ 3,379,876

Note 4. Investments

Investments are summarized as follows at December 31:

	2020	2019
Money market funds	\$ 700,857	\$ 315,059
Fixed income securities – investment grade	1,261,794	1,226,142
Fixed income securities – global high yield	49,350	49,622
Equities – domestic	4,418,327	3,705,747
Equities – international	420,152	357,363
REIT	14,094	-
Equities – emerging markets	208,648	273,932
Commodities	229,417	223,001
	<u>\$ 7,302,639</u>	<u>\$ 6,150,866</u>

Certain investments are pledged as collateral for the mortgage payable (see Note 7).

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

Notes to Financial Statements

Note 5. Fair Value Measurements

The following table summarizes major categories of the Organization's assets and liabilities measured at fair value on a recurring basis at December 31, 2020 and 2019:

	2020			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Money market funds	\$ 700,857	\$ 700,857	\$ -	\$ -
Fixed income securities – investment grade	1,261,794	-	1,261,794	-
Fixed income securities – global high yield	49,350	-	49,350	-
Equities – domestic	4,418,327	4,418,327	-	-
Equities – international	420,152	420,152	-	-
Equities – emerging markets	208,648	208,648	-	-
REIT	14,094	14,094	-	-
Commodities	229,417	-	229,417	-
Total investments	7,302,639	5,762,078	1,540,561	-
Beneficial interest in trusts	1,199,254	-	-	1,199,254
Total assets at fair value	<u>\$ 8,501,893</u>	<u>\$ 5,762,078</u>	<u>\$ 1,540,561</u>	<u>\$ 1,199,254</u>
2019				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Money market funds	\$ 315,059	\$ 315,059	\$ -	\$ -
Fixed income securities – investment grade	1,226,142	-	1,226,142	-
Fixed income securities – global high yield	49,622	-	49,622	-
Equities – domestic	3,705,747	3,705,747	-	-
Equities – international	357,363	357,363	-	-
Equities – emerging markets	273,932	273,932	-	-
Commodities	223,001	-	223,001	-
Total investments	6,150,866	4,652,101	1,498,765	-
Beneficial interest in trusts	1,090,796	-	-	1,090,796
Total assets at fair value	<u>\$ 7,241,662</u>	<u>\$ 4,652,101</u>	<u>\$ 1,498,765</u>	<u>\$ 1,090,796</u>

Level 1 investments are classified as such due to their closeness to cash or being valued based on quoted market prices. Level 2 investments are classified as such due to being valued based on similar assets.

The assets held in trust are managed by an independent third-party trustee, and the Organization has no authority over investment decisions. Thus, the trust assets are classified as Level 3 within the fair value hierarchy level.

There were no transfers into and out of Level 3 investments and no purchase or issues of Level 3 investments for the years ended December 31, 2020 and 2019.

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

Notes to Financial Statements

Note 6. Property and Equipment

Property and equipment consists of the following at December 31, 2020 and 2019:

	2020	2019
Buildings	\$ 11,847,913	\$ 11,847,913
Building improvements	3,530,853	3,498,654
Construction in progress	179,395	4,072
Land	685,610	685,610
Land improvements	67,812	42,824
Furniture, fixtures and equipment	1,487,566	1,444,987
	<u>17,799,149</u>	<u>17,524,060</u>
Less accumulated depreciation	(8,305,703)	(7,632,029)
	<u>\$ 9,493,446</u>	<u>\$ 9,892,031</u>

Depreciation expense is \$673,674 and \$596,232 for the years ended December 31, 2020 and 2019, respectively. Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. Outstanding commitments related to construction in progress as of December 31, 2020 are approximately \$175,000. There are no material outstanding commitments related to construction in progress as of December 31, 2019. 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, 2020 and 2019, represents renovations of the emergency housing and family permanent housing, respectively.

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

Notes to Financial Statements

Note 7. Mortgages Payable

Mortgages payable, net of mortgage costs consist of the following at December 31, 2020 and 2019:

	2020	2019
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
Mortgage payable to Pinellas County (Community Development Block 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.	410,000	373,078
Mortgage payable to Pinellas County (Home Investment Partnerships Program), monthly principal and interest payments of \$6,311 required beginning November 1, 2024; 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 2025; 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.	41,669	83,335
	<u>3,758,277</u>	<u>3,763,021</u>
Less current portion	(141,141)	(41,140)
Less mortgage costs	(12,118)	(12,645)
	<u>\$ 3,605,018</u>	<u>\$ 3,709,236</u>

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

Notes to Financial Statements

Note 7. Mortgages Payable (Continued)

Future maturities of mortgages payable at December 31, 2020 are as follows:

Years ending December 31:	Principal	Expected Forgiveness	Mortgage Costs	Total
2021	\$ -	\$ 141,668	\$ (527)	\$ 141,141
2022	-	-	(527)	(527)
2023	-	-	(527)	(527)
2024	14,233	-	(527)	13,706
2025	85,401	-	(527)	84,874
Thereafter	2,199,206	1,317,769	(9,483)	3,507,492
	<u>\$ 2,298,840</u>	<u>\$ 1,459,437</u>	<u>\$ (12,118)</u>	<u>\$ 3,746,159</u>

Mortgage costs consist of the following as of December 31, 2020 and 2019:

	2020	2019
Mortgage costs	\$ 14,753	\$ 14,753
Less accumulated amortization	(2,635)	(2,108)
	<u>\$ 12,118</u>	<u>\$ 12,645</u>

Interest expense related to amortization of mortgage costs was \$527 for each of the years ended December 31, 2020 and 2019.

Note 8. Lines of Credit

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 the London Interbank Offered Rate, plus 1.5% (1.64% and 3.46% at December 31, 2020 and 2019, 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, 2020 and 2019. The Organization paid no interest associated with this agreement for the years ended December 31, 2020 and 2019. The agreement was renewed in May 2021 and expires in May 2022.

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 calculated the prime lender rate (3.25% and 4% as of December 31, 2020 and 2019, respectively) and not to exceed 18% or fall below 4%. There was no amount outstanding at December 31, 2020 and 2019. The Organization paid no interest associated with this credit line for the years ended December 31, 2020 and 2019. The agreement was renewed in the current year, extending the maturity until November 2021 and modifying the interest rate to be the prime lender rate (3.50% as of December 31, 2020) and not to exceed 18% or fall below 3.5%.

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

Notes to Financial Statements

Note 9. Net Assets

Net assets without donor restrictions were as follows as of December 31, 2020 and 2019:

	2020	2019
Undesignated	\$ 9,159,864	\$ 7,662,412
Board designated endowment (Note 10)	5,549,539	5,091,389
	<u>\$ 14,709,403</u>	<u>\$ 12,753,801</u>

Net assets with donor restrictions were as follows as of December 31, 2020 and 2019:

	2020	2019
Subject to the passage of time:		
Unconditional promises to give (Note 3)	\$ -	\$ 25,000
Grant receivables	40,000	-
Estate receivables	1,679,041	3,332,072
	<u>1,719,041</u>	<u>3,357,072</u>
Subject to expenditure for specified purpose:		
Dental and Wellness Clinic – comprehensive dental services, disease self-management program, nutritional counseling, wellness education and navigation services	62,906	175,658
Senior Citizens Services - housing for senior citizens	17,188	34,105
Baty Villas – permanent supportive housing in private apartments for qualified families with children	-	29,538
School Property Project – permanent supportive housing for Pinellas County School District homeless families	-	29,716
HEP West – single-occupancy apartments for U.S. veterans of the wars fought in Iraq and Afghanistan	7,593	7,593
Workforce Development - support North Greenwood Adult Education and Workforce Development Center	52,488	-
Urban Empowerment Garden - expenditures to benefit the garden infrastructure and sustainability	35,012	-
VA Clubhouse - Veteran's activities and clubhouse support	14,050	-
	<u>189,237</u>	<u>276,610</u>
Subject to the Organization's spending policy and appropriation:		
Investments in perpetuity (including original gifts totaling \$200,000 as of December 31, 2020 and 2019) and the net investment return from which is expendable to support:		
General operations	265,912	243,959
Not subject to the Organization's spending policy or appropriation:		
Beneficial interest in trusts	1,199,254	1,090,796
	<u>\$ 3,373,444</u>	<u>\$ 4,968,437</u>

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

Notes to Financial Statements

Note 9. Net Assets (continued)

Net assets were released from net assets with donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time of other events specified by donors as follows for the year ended December 31, 2020 and 2019:

	2020	2019
Expiration of time restrictions	\$ 1,839,082	\$ -
Dental and Wellness	175,658	72,120
Baty Villas	29,538	50,000
Senior Citizens	34,105	-
Beneficial interest in trusts	-	18,968
	<u>\$ 2,078,383</u>	<u>\$ 141,088</u>

Note 10. 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 and subsequent amendment, the original \$200,000 corpus is not subject to withdrawal, and income from the fund is available for general operations. If circumstances for the Organization become financially catastrophic, a portion of the original corpus may be spent with approval by at least 75% of the Board.

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.

Endowment net asset composition by type of fund is as follows as of December 31, 2020 and 2019:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 265,912	\$ 265,912
Board designated endowment funds	5,549,539	-	5,549,539
	<u>\$ 5,549,539</u>	<u>\$ 265,912</u>	<u>\$ 5,815,451</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 243,959	\$ 243,959
Board designated endowment funds	5,091,389	-	5,091,389
	<u>\$ 5,091,389</u>	<u>\$ 243,959</u>	<u>\$ 5,335,348</u>

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

Notes to Financial Statements

Note 10. Endowments (Continued)

Changes in endowment net assets are as follows for the years ended December 31, 2020 and 2019:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 5,091,389	\$ 243,959	\$ 5,335,348
Investment return, net	458,150	21,953	480,103
Endowment net assets, ending	<u>\$ 5,549,539</u>	<u>\$ 265,912</u>	<u>\$ 5,815,451</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 4,173,980	\$ 200,000	\$ 4,373,980
Investment return, net	917,409	43,959	961,368
Endowment net assets, ending	<u>\$ 5,091,389</u>	<u>\$ 243,959</u>	<u>\$ 5,335,348</u>

Note 11. In-Kind Revenue and Expenses

Included as without donor restriction support and expense are the following in-kind contributions for the years ended December 31, 2020 and 2019:

	2020	2019
Food	\$ 401,642	\$ 551,282
Lease space	438,073	431,161
Dental services	155,150	392,125
Psychiatric counseling	113,114	107,625
Thrift store	207,735	72,941
Other	5,446	2,335
	<u>\$ 1,321,160</u>	<u>\$ 1,557,469</u>

As discussed in Note 1, 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 12 Other Income

In May 2020, the Organization received a Paycheck Protection Program (PPP) loan in the amount of \$608,725, which was guaranteed by the U.S. Small Business Administration (SBA) under the *Coronavirus Aid, Relief, and Economic Securities Act* (CARES Act). The purpose of the loan was to retain workers and maintain payroll along with other allowable costs. The loan bore interest at 1% annually. Under the CARES Act, up to the full principal amount of the loans and any accrued interest can be forgiven if the Organization utilizes all of the loan proceeds for forgivable purposes required under the CARES Act.

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

Notes to Financial Statements

Note 12 Other Income (continued)

The Organization elected to account for the PPP loan as a conditional contribution under ASC Subtopic 958-605. Management believes the revenue recognition criteria under ASC Subtopic 958-605 have been met as of December 31, 2020. As such, this PPP loan has been recognized as other income in the statement of activities and changes in net assets as of December 31, 2020.

In March 2021, the Organization received notification of loan forgiveness from the SBA in the amount of \$614,078, which includes the original principal amount and \$5,353 in accrued interest.

Note 13. 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 \$14,000 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 \$438,073 and \$431,161 was recognized as in-kind contributions revenue and in-kind lease space expenses in the accompanying financial statements for the years ended December 31, 2020 and 2019, respectively.

Note 14. Related Parties

The pastor and the president of the Church serve on the Board of Directors. In 2020 and 2019, the Church leased real property to the Organization for a nominal rate.

For each of the years ended December 31, 2020 and 2019, 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, 2020 and 2019, was \$18,000.

Note 15. 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.

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantine in certain areas, forced closures and other restrictions limiting public access for certain types of businesses.

The extent to which COVID-19 impacts the operations of the Organization in the future will depend on future developments, which are highly uncertain and cannot be predicted with confidence. It is reasonably possible that estimates made in the accompanying financial statements may be adversely impacted in the near term as a result of these conditions. Management believes that cash available, together with its available debt net assets, will be sufficient to fund its working capital requirements through fiscal year 2021 and a reasonable time thereafter.

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

Notes to Financial Statements

Note 16. Conditional Promises to Give from Donors

The Organization has conditional promises (mainly conditional grants) to give from grantors and donors of \$348,651 as of December 31, 2020. Future payments are contingent upon the Organization carrying out certain activities (meeting grant and donor imposed barriers) stipulated by the grant or contract.

Conditional promises to give from the Organization's grant donors consist of the following:

	<u>2020</u>
Cash grants from U.S. government	\$ 263,349
Cash grants from other grantors/donors	<u>85,302</u>
	<u>\$ 348,651</u>

Note 17. Subsequent Events

In May 2021, the Organization received a PPP loan in the amount of \$608,725, which was guaranteed by the SBA under the CARES Act as amended by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Amended CARES Act). The purpose of the loan is to retain workers and maintain payroll along with other allowable costs. The loan bears interest at 1% annually. Under the Amended CARES Act, up to the full principal amount of the loans and any accrued interest can be forgiven if the Organization utilizes all of the loan proceeds for forgivable purposes required under the Amended CARES Act. If not forgiven, the loan is due in monthly principal payments of \$12,175 commencing March 2022 through May 2026. Management has been monitoring federal, state, and local changes to ensure compliance with changing regulations.

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

Schedule of Expenditures of Federal Awards Year Ended December 31, 2020

Federal Agency Pass-Through Entity Federal Program Cluster/Title	Pass-Through Entity Identifying/Contract Number	ALN Number	Expenditures	Pass-Through to Subrecipients
U.S. Department of Housing and Urban Development				
Passed through Pinellas County:				
CDBG – Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	N/A	14.218	\$ 100,000 *	\$ -
Community Development Block Grants/Entitlement Grants	N/A	14.218	410,000 *	-
Community Development Block Grants/Entitlement Grants	CD19HEP-004339A	14.218	79,774	-
Passed through City of Clearwater:				
CDBG – Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	N/A	14.218	13,919	-
Community Development Block Grants/Entitlement Grants	N/A	14.218	36,435	-
			<u>640,128</u>	<u>-</u>
Passed through Pinellas County:				
Emergency Solutions Grant Program	ES19HEPREH	14.231	26,358	-
Passed through Florida Department of Children and Families:				
Emergency Solutions Grant Program	ESG18/HEP	14.231	10,190	-
			<u>36,548</u>	<u>-</u>
Direct award:				
Supportive Housing Program	FL0035L4H021810/ FL0035L4H021911	14.235	49,987	-
Supportive Housing Program	FL0030L4H021811/FL0030L4H021912	14.235	69,746	-
			<u>119,733</u>	<u>-</u>
Passed through City of Clearwater:				
Home Investment Partnerships Program	N/A	14.239	823,005 *	-
Home Investment Partnerships Program	N/A	14.239	16,978	-
Passed through Pinellas County:				
Home Investment Partnerships Program	N/A	14.239	1,800,000 *	-
Home Investment Partnerships Program	N/A	14.239	37,132	-
			<u>2,677,115</u>	<u>-</u>
Direct award:				
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	52530B	14.871	90,535	-
			<u>90,535</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			3,564,059	-
U.S. Department of Transportation				
Direct award:				
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	GOT35	20.513	20,713	-
Total U.S. Department of Transportation			20,713	-
U.S. Department of Veteran Affairs				
Direct award:				
VA Homeless Providers Grant and Per Diem Program	HEPI694-0654-516-CT-18-0	64.024	511,426	-
VA Homeless Providers Grant and Per Diem Program	HEPI694-1065-516-CM-20	64.024	140,781	-
Total U.S. Department of Veteran Affairs			652,207	-
Total expenditures of federal awards			\$ 4,236,979	\$ -

*Represents the balance of a loan from a previous year, plus new loans during the current year for which the federal government imposes continuing compliance requirements.

See notes to schedule of federal awards.

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

Notes to Schedule of Expenditures of Federal Awards

Note 1. 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 Title 2 U.S. Code of Federal Regulations (CFR), 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 the Organization, it is intended to and does not present the statements of financial position, activities and changes in net assets, functional expense or cash flows of the Organization.

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

Note 2. 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 3. Indirect Costs

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

Note 4. Loans

The Organization had the following loan balances at December 31, 2020:

CFDA Number	Description	Original Loan Amount	Balance at January 1, 2020	Additional Loan Funding	Balance at December 31, 2020
14.218	Community development block grants/ entitlement grants	\$ 100,000	\$ 100,000	\$ -	\$ 100,000
14.218	Community development block grants/ entitlement grants	373,078	373,078	36,922	410,000
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

**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***

Independent Auditor's Report

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

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 statements of financial position as of December 31, 2020; 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 19, 2021.

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) as a basis for designing 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 financial statements. 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.

RSM US LLP

St. Petersburg, Florida
May 19, 2021

**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

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

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 program for the year ended December 31, 2020. Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 its major federal program for the year ended December 31, 2020.

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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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.

RSM US LLP

St. Petersburg, Florida
May 19, 2021

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

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2020**

SECTION I. SUMMARY OF AUDITOR'S REPORT

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 Yes X None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 Yes X None reported

Type of auditor's reports issued on compliance for major program:

Unmodified

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 programs:

ALN Number

Name of Federal Program or Cluster

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. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

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

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2020

There were no findings reported for the year ended December 31, 2019.