

Homeless Empowerment Program

Financial Report and Compliance Report
December 31, 2021

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RSM US LLP

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 18, 2022, on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

RSM US LLP

St. Petersburg, Florida
May 18, 2022

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

Statement of Financial Position
December 31, 2021
(With Comparative Totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,002,396	\$ 331,434	\$ 2,333,830	\$ 1,884,983
Grants receivable	210,611	-	210,611	194,973
Accounts receivable—other	235,707	-	235,707	151,362
Prepaid expenses	119,023	-	119,023	89,603
Investments	2,482,046	-	2,482,046	1,487,188
Unconditional promises to give	59,337	-	59,337	29,040
Estate receivables	-	963,892	963,892	1,679,041
Other assets	14,072	-	14,072	7,145
Total current assets	5,123,192	1,295,326	6,418,518	5,523,335
Noncurrent assets:				
Property and equipment, net	9,211,993	-	9,211,993	9,493,446
Investments	6,518,019	312,318	6,830,337	5,815,451
Beneficial interest in trusts	-	1,195,764	1,195,764	1,199,254
Total noncurrent assets	15,730,012	1,508,082	17,238,094	16,508,151
Total assets	\$ 20,853,204	\$ 2,803,408	\$ 23,656,612	\$ 22,031,486
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 98,940	\$ -	\$ 98,940	\$ 77,503
Accrued payroll	131,376	-	131,376	103,866
Security deposits	890	-	890	890
Deferred revenue	-	-	-	20,221
Mortgages payable, current portion, net of mortgage costs	-	-	-	141,141
Total current liabilities	231,206	-	231,206	343,621
Mortgages payable, net of mortgage costs	3,605,017	-	3,605,017	3,605,018
Total liabilities	3,836,223	-	3,836,223	3,948,639
Net assets:				
Without donor restrictions	10,498,962	-	10,498,962	9,159,864
Without donor restrictions—board designated	6,518,019	-	6,518,019	5,549,539
Total without donor restrictions	17,016,981	-	17,016,981	14,709,403
With donor restrictions	-	2,803,408	2,803,408	3,373,444
Total net assets	17,016,981	2,803,408	19,820,389	18,082,847
Total liabilities and net assets	\$ 20,853,204	\$ 2,803,408	\$ 23,656,612	\$ 22,031,486

See notes to financial statements.

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

Statement of Financial Position December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,675,525	\$ 209,458	\$ 1,884,983
Grants receivable	154,973	40,000	194,973
Accounts receivable—other	151,362	-	151,362
Prepaid expenses	89,603	-	89,603
Investments	1,487,188	-	1,487,188
Unconditional promises to give	29,040	-	29,040
Estate receivables	-	1,679,041	1,679,041
Other assets	7,145	-	7,145
Total current assets	3,594,836	1,928,499	5,523,335
Noncurrent assets:			
Property and equipment, net	9,493,446	-	9,493,446
Investments	5,549,539	265,912	5,815,451
Beneficial interest in trusts	-	1,199,254	1,199,254
Total noncurrent assets	15,042,985	1,465,166	16,508,151
Total assets	\$ 18,637,821	\$ 3,393,665	\$ 22,031,486
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 77,503	\$ -	\$ 77,503
Accrued payroll	103,866	-	103,866
Security deposits	890	-	890
Deferred revenue	-	20,221	20,221
Mortgages payable, current portion, net of mortgage costs	141,141	-	141,141
Total current liabilities	323,400	20,221	343,621
Mortgages payable, net of mortgage costs	3,605,018	-	3,605,018
Total liabilities	3,928,418	20,221	3,948,639
Net assets:			
Without donor restrictions	9,159,864	-	9,159,864
Without donor restrictions—board designated	5,549,539	-	5,549,539
Total without donor restrictions	14,709,403	-	14,709,403
With donor restrictions	-	3,373,444	3,373,444
Total net assets	14,709,403	3,373,444	18,082,847
Total liabilities and net assets	\$ 18,637,821	\$ 3,393,665	\$ 22,031,486

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, 2021
 (With Comparative Totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Public support and revenue:				
Contributions	\$ 1,229,682	\$ 63,381	\$ 1,293,063	\$ 1,093,454
Estates and trusts	38,431	-	38,431	-
In-kind contributions	1,421,101	-	1,421,101	1,321,160
Grants	2,904,508	240,664	3,145,172	2,449,578
Client fees	343,199	-	343,199	308,042
Special events revenue, net	107,812	-	107,812	92,961
Thrift store sales	442,785	-	442,785	321,989
Other	955,431	-	955,431	767,075
Change in value of estate receivables	-	(80,638)	(80,638)	161,051
Change in value of beneficial interest in trusts	-	72,280	72,280	108,459
Net assets released from restriction	912,129	(912,129)	-	-
Total public support and revenue	8,355,078	(616,442)	7,738,636	6,623,769
Expenses:				
Program services	5,931,787	-	5,931,787	5,671,890
Management and general	695,206	-	695,206	666,365
Development (fundraising)	593,829	-	593,829	524,819
Total expenses	7,220,822	-	7,220,822	6,863,074
Changes in net assets before investment return, net	1,134,256	(616,442)	517,814	(239,305)
Investment return, net	1,173,322	46,406	1,219,728	599,914
Changes in net assets	2,307,578	(570,036)	1,737,542	360,609
Net assets:				
Beginning	14,709,403	3,373,444	18,082,847	17,722,238
Ending	\$ 17,016,981	\$ 2,803,408	\$ 19,820,389	\$ 18,082,847

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

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions	\$ 1,093,454	\$ -	\$ 1,093,454
Estates and trusts	-	-	-
In-kind contributions	1,321,160	-	1,321,160
Grants	2,227,935	221,643	2,449,578
Client fees	308,042	-	308,042
Special events revenue, net	92,961	-	92,961
Thrift store sales	321,989	-	321,989
Other	767,075	-	767,075
Change in value of estate receivables	-	161,051	161,051
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
Expenses:			
Program services	5,671,890	-	5,671,890
Management and general	666,365	-	666,365
Development (fundraising)	524,819	-	524,819
Total expenses	6,863,074	-	6,863,074
Changes in net assets before investment return, net	1,377,641	(1,616,946)	(239,305)
Investment return, net	577,961	21,953	599,914
Changes in net assets	1,955,602	(1,594,993)	360,609
Net assets:			
Beginning	12,753,801	4,968,437	17,722,238
Ending	\$ 14,709,403	\$ 3,373,444	\$ 18,082,847

See notes to financial statements.

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

Statement of Functional Expenses Year Ended December 31, 2021 (With Comparative Totals for 2020)

	2021												2020 Total
	Program Services												
	Housing Programs				Total Housing Programs	Support Services	Thrift Store	Total Program Services	Management and General	Development (Fundraising)	Total		
Outreach	Emergency Shelter	Transitional	Permanent Housing										
Salaries and related expenses:													
Salaries	\$ 115,550	\$ 407,510	\$ 310,791	\$ 318,923	\$ 1,152,774	\$ 597,749	\$ 238,829	\$ 1,989,352	\$ 415,772	\$ 367,557	\$ 2,772,681	\$ 2,817,858	
Payroll taxes and benefits	26,499	88,159	50,580	62,250	227,488	121,555	39,062	388,105	84,160	60,882	533,147	498,632	
Personnel expenses	1,343	14,216	4,971	8,442	28,972	11,789	4,803	45,564	4,401	3,962	53,927	33,431	
Total salaries and related expenses	143,392	509,885	366,342	389,615	1,409,234	731,093	282,694	2,423,021	504,333	432,401	3,359,755	3,349,921	
Client services	5,460	33,301	171,615	81,957	292,333	276,504	7,254	576,091	3,405	9,139	588,635	402,524	
Dental and Wellness Clinic	22,773	72,504	93,709	122,765	311,751	8,794	-	320,545	-	-	320,545	166,625	
Marketing	5	2,960	16	13	2,994	442	2,019	5,455	845	45,019	51,319	27,322	
Food	23,575	80,077	126,032	139,895	369,579	11,204	98	380,881	1,363	736	382,980	444,910	
In-kind lease space	-	41,990	205,968	76,280	324,238	71,324	-	395,562	22,236	20,995	438,793	438,073	
In-kind services	22,749	77,413	101,790	137,596	339,548	-	-	339,548	-	-	339,548	326,295	
Insurance	3,426	12,065	34,364	51,078	100,933	21,827	8,372	131,132	6,904	5,078	143,114	118,409	
Interest	-	-	-	527	527	-	-	527	-	-	527	527	
Learning center activities	-	-	-	-	-	-	-	-	-	-	-	22,250	
Office expenses and supplies	1,704	6,294	5,453	5,950	19,401	16,581	12,127	48,109	10,911	35,119	94,139	96,405	
Professional fees	2,367	8,859	7,432	15,294	33,952	11,751	5,034	50,737	29,131	3,690	83,558	51,402	
Repairs and maintenance	7,316	17,540	63,671	81,119	169,646	39,173	22,947	231,766	7,561	5,709	245,036	237,622	
Technology	1,778	6,868	5,612	4,872	19,130	14,071	3,781	36,982	4,010	30,619	71,611	62,345	
Telephone	641	2,839	8,289	6,568	18,337	9,757	1,712	29,806	4,767	2,593	37,166	36,181	
Utilities	16,249	28,521	79,338	131,530	255,638	32,777	28,565	316,980	2,309	1,910	321,199	328,838	
Transportation expense	4,172	8,364	1,872	9,678	24,086	35,812	13,010	72,908	684	301	73,893	79,751	
Depreciation	13,744	33,579	56,948	354,307	458,578	84,720	28,439	571,737	96,747	520	669,004	673,674	
	\$ 269,351	\$ 943,059	\$ 1,328,451	\$ 1,609,044	\$ 4,149,905	\$ 1,365,830	\$ 416,052	\$ 5,931,787	\$ 695,206	\$ 593,829	\$ 7,220,822	\$ 6,863,074	

See notes to financial statements.

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

Statement of Functional Expenses Year Ended December 31, 2020

	Program Services										Total
	Housing Programs				Total Housing Programs	Support Services	Thrift Store	Total Program Services	Management and General	Development (Fundraising)	
	Outreach	Emergency Shelter	Transitional	Permanent Housing							
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
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
Personnel expenses	1,298	4,935	3,478	4,967	14,678	7,704	3,908	26,290	3,906	3,235	33,431
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
Client services	12,330	28,726	141,088	94,582	276,726	100,501	7,129	384,356	7,629	10,539	402,524
Dental and Wellness Clinic	11,461	39,934	42,164	66,245	159,804	6,821	-	166,625	-	-	166,625
Marketing	2	2	2	2	8	14	3,363	3,385	424	23,513	27,322
Food	31,229	96,931	134,510	168,956	431,626	12,561	19	444,206	688	16	444,910
In-kind lease space	-	41,990	205,488	76,040	323,518	71,324	-	394,842	22,236	20,995	438,073
In-kind services	24,103	76,932	88,674	136,586	326,295	-	-	326,295	-	-	326,295
Insurance	3,079	11,318	28,718	39,511	82,626	17,077	7,092	106,795	6,764	4,850	118,409
Interest	-	-	-	527	527	-	-	527	-	-	527
Learning center activities	-	-	-	-	-	22,250	-	22,250	-	-	22,250
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
Professional fees	2,220	8,307	6,970	5,673	23,170	10,861	4,699	38,730	9,227	3,445	51,402
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
Technology	1,416	5,132	4,167	3,364	14,079	11,464	2,800	28,343	2,640	31,362	62,345
Telephone	1,008	4,150	8,124	6,146	19,428	7,402	2,463	29,293	3,886	3,002	36,181
Utilities	18,360	29,155	78,511	141,930	267,956	31,090	26,232	325,278	2,121	1,439	328,838
Transportation expense	6,121	12,230	2,574	5,997	26,922	38,973	12,892	78,787	33	931	79,751
Depreciation	2,419	16,300	64,019	379,223	461,961	81,740	28,590	572,291	101,296	87	673,674
	\$ 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

See notes to financial statements.

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

Statements of Cash Flows Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Changes in net assets	\$ 1,737,542	\$ 360,609
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	669,004	673,674
Amortization of mortgage costs	527	527
Realized and unrealized gains on investments	(1,107,899)	(599,913)
Donated investments	(70,260)	(40,984)
Distributions from beneficial interest in trusts	75,770	-
Change in value of beneficial interest in trust assets	(72,280)	(108,459)
Distributions from estate receivables	634,511	1,814,082
Change in value of estate receivables	80,638	(161,051)
Forgiveness of mortgages payable	(141,669)	(41,666)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(15,638)	32,144
Accounts receivable—other	(84,345)	(129,473)
Prepaid expenses	(29,420)	15,475
Unconditional promises to give	(30,297)	18,764
Other assets	(6,927)	164
Increase (decrease) in:		
Accounts payable and accrued liabilities	21,437	(159,746)
Accrued payroll	27,510	30,643
Deferred revenue	(20,221)	20,221
Net cash provided by operating activities	1,667,983	1,725,011
Cash flows from investing activities:		
Purchases of investments	(1,942,197)	(557,575)
Proceeds from sale of investments	1,110,612	46,700
Purchases of property and equipment	(387,551)	(275,089)
Net cash used in investing activities	(1,219,136)	(785,964)
Cash flows from financing activities:		
Proceeds from issuance of mortgages payable	-	36,922
Net cash provided by financing activities	-	36,922
Increase in cash and cash equivalents	448,847	975,969
Cash and cash equivalents:		
Beginning	1,884,983	909,014
Ending	\$ 2,333,830	\$ 1,884,983

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.).

Community garden: HEP's community garden not only provides fresh, organically grown produce to help our dining hall be self-sustaining; 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.

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.

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

Notes to Financial Statements

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

Transportation: Services include individual transports for guests in company (Florida Department of Transportation) vehicles to and from doctors' appointments or other health related appointments, a VA shuttle to and from Bay Pines VA, and a recreational van used to transport veterans to activities in the community.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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.

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

Notes to Financial Statements

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

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, 2021 and 2020, the Organization considers all grants receivable to be fully collectible.

Investments and endowment: Investments are carried at fair value. The fair value of publicly 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 and changes in net assets.

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 allows for a maximum annual appropriation of 4% of the past three-year rolling average of the net asset valuation of the endowment. During the years ended December 31, 2021 and 2020, 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, 2021 and 2020, 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, that is those with both a measurable performance or other barrier and a right of return or release, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend on 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, 2021 and 2020, 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 estates are recorded at fair value 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, fixtures 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.

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

Notes to Financial Statements

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

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.

Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. 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, fixtures 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, 2021 and 2020.

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

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'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.

The Organization recognizes revenue at a point in time when control 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 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, that is, those with both a measurable performance or other barrier and a right of return or releases, 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 absence 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 11,612 and 8,400 for the years ended December 31, 2021 and 2020, 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, 2021 or 2020, associated with this inventory.

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

Notes to Financial Statements

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

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 issued accounting pronouncements: In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. Early adoption is permitted. The Organization does not expect this ASU to have a material impact 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 statements of activities. 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 does not expect this ASU to have a material impact on the 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 recognized by the Internal Revenue Service (IRS) as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Income earned in furtherance of the Organization's tax-exempt purpose is exempt from federal and state income taxes. As such, no provision for income tax expense has been made in the accompanying 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)

The Organization has adopted the accounting standard on accounting for uncertainty in income taxes. Management assessed whether there were any uncertain tax positions which may give risk to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements. Generally, the Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for the years before December 31, 2018.

Reclassifications: Certain reclassifications have been made to the 2020 balances to conform to 2021 presentation. The reclassifications did not result in a change in previously reported change in net assets.

Subsequent events: Management has evaluated all events subsequent to the statements of financial position date of December 31, 2021, through May 18, 2022, 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, 2021 and 2020:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,333,830	\$ 1,884,983
Grants receivable	210,611	194,973
Accounts receivable—other	235,707	151,362
Unconditional promises to give	59,337	29,040
Estate receivables	963,892	1,679,041
Investments	9,312,383	7,302,639
Beneficial interest in trusts	1,195,764	1,199,254
Total financial assets	<u>14,311,524</u>	<u>12,441,292</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	2,803,408	3,373,444
Less net assets with time restrictions to be met in less than a year	(963,892)	(1,679,041)
Board designated endowment	6,518,019	5,549,539
	<u>8,357,535</u>	<u>7,243,942</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 5,953,989</u>	<u>\$ 5,197,350</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.

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

Notes to Financial Statements

Note 2. Available Resources and Liquidity (Continued)

Additionally, not included as available are the Organization's board designated endowment totaling \$6,518,019 and \$5,549,539 as of December 31, 2021 and 2020, 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.

Note 3. Unconditional Promises to Give and Estate Receivables

Unconditional promises to give and estate receivables at December 31, 2021 and 2020, are expected to be collected as follows:

	2021	2020
Less than one year	\$ 1,023,229	\$ 1,708,081

Note 4. Investments

Investments are summarized as follows at December 31, 2021 and 2020:

	2021	2020
Money market funds	\$ 1,104,122	\$ 700,857
Fixed income securities—investment grade	1,395,630	1,261,794
Fixed income securities—global high yield	49,182	49,350
Equities—domestic	5,739,115	4,418,327
Equities—international	522,685	420,152
REIT	16,867	14,094
Equities—emerging markets	198,519	208,648
Commodities	286,263	229,417
	<u>\$ 9,312,383</u>	<u>\$ 7,302,639</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 measured at fair value on a recurring basis at December 31, 2021 and 2020:

	2021			
	Fair Value	Quoted Prices	Significant Other	Significant
		in Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments:				
Money market funds	\$ 1,104,122	\$ 1,104,122	\$ -	\$ -
Fixed income securities—investment grade	1,395,630	-	1,395,630	-
Fixed income securities—global high yield	49,182	-	49,182	-
Equities—domestic	5,739,115	5,739,115	-	-
Equities—international	522,685	522,685	-	-
REIT	16,867	16,867	-	-
Equities—emerging markets	198,519	198,519	-	-
Commodities	286,263	-	286,263	-
Total investments	9,312,383	7,581,308	1,731,075	-
Beneficial interest in trusts	1,195,764	-	-	1,195,764
Estate receivables	963,892	-	-	963,892
Total assets at fair value	\$ 11,472,039	\$ 7,581,308	\$ 1,731,075	\$ 2,159,656
	2020			
	Fair Value	Quoted Prices	Significant Other	Significant
		in Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
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	-	-
REIT	14,094	14,094	-	-
Equities—emerging markets	208,648	208,648	-	-
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
Estate receivables	1,679,041	-	-	1,679,041
Total assets at fair value	\$ 10,180,934	\$ 5,762,078	\$ 1,540,561	\$ 2,878,295

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 and the estate receivables 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, 2021 and 2020.

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, 2021 and 2020:

	2021	2020
Buildings	\$ 11,853,622	\$ 11,847,913
Building improvements	4,085,346	3,530,853
Construction in progress	-	179,395
Land	685,610	685,610
Land improvements	67,812	67,812
Furniture, fixtures and equipment	1,494,309	1,487,566
	<u>18,186,699</u>	<u>17,799,149</u>
Less accumulated depreciation	(8,974,706)	(8,305,703)
	<u>\$ 9,211,993</u>	<u>\$ 9,493,446</u>

Depreciation expense is \$669,004 and \$673,674 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020:

	2021	2020
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. The mortgage payable was fully forgiven in fiscal year 2021.	-	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	410,000
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; 1.5% 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 1.5% 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. Beginning in 2016, \$41,667 was forgiven each year. The mortgage payable was fully forgiven in 2021.	-	41,669
	3,616,608	3,758,277
Less current portion	-	(141,141)
Less mortgage costs	(11,591)	(12,118)
	<u>\$ 3,605,017</u>	<u>\$ 3,605,018</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, 2021, are as follows:

	Principal	Expected Forgiveness	Mortgage Costs	Total
Years ending December 31:				
2022	\$ -	\$ -	\$ (527)	\$ (527)
2023	-	-	(527)	(527)
2024	14,233	-	(527)	13,706
2025	111,914	-	(527)	111,387
2026	112,314	-	(527)	111,787
Thereafter	2,060,379	1,317,768	(8,956)	3,369,191
	<u>\$ 2,298,840</u>	<u>\$ 1,317,768</u>	<u>\$ (11,591)</u>	<u>\$ 3,605,017</u>

Mortgage costs consist of the following as of December 31, 2021 and 2020:

	2021	2020
Mortgage costs	\$ 14,753	\$ 14,753
Less accumulated amortization	(3,162)	(2,635)
	<u>\$ 11,591</u>	<u>\$ 12,118</u>

Interest expense related to amortization of mortgage costs was \$527 for each of the years ended December 31, 2021 and 2020.

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% (1.58% and 1.64% at December 31, 2021 and 2020, 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, 2021 and 2020. The Organization paid no interest associated with this agreement for the years ended December 31, 2021 and 2020. The agreement was renewed in May 2022 and expires in May 2023.

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 (4.00% and 3.25% as of December 31, 2021 and 2020, respectively) and not to exceed 18% or fall below 4%. There was no amount outstanding at December 31, 2021 and 2020. The Organization paid no interest associated with this credit line for the years ended December 31, 2021 and 2020. The agreement was renewed in the current year, extending the maturity until November 2022.

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, 2021 and 2020:

	2021	2020
Undesignated	\$ 10,498,962	\$ 9,159,864
Board designated endowment	6,518,019	5,549,539
	<u>\$ 17,016,981</u>	<u>\$ 14,709,403</u>

Net assets with donor restrictions were as follows as of December 31, 2021 and 2020:

	2021	2020
Subject to the passage of time:		
Grant receivables	\$ -	\$ 40,000
Estate receivables	963,892	1,679,041
Subject to expenditure for specified purpose:		
Dental and Wellness Clinic—comprehensive dental services, disease self-management program, nutritional counseling, wellness education and navigation services	60,118	62,906
Senior Citizens Services—housing for senior citizens	10,733	17,188
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	55,861	52,488
Urban Empowerment Garden—expenditures to benefit the garden infrastructure and sustainability	69,063	35,012
VA Clubhouse—Veteran's activities and clubhouse support	16,670	14,050
Families & Children—to help children and families	27,079	-
Kitchen & Dining Hall—facility upgrades	20,515	-
Thrift Store—facility upgrades	10,832	-
TD Charitable—housing for everyone	52,970	-
Subject to the Organization's spending policy and appropriation:		
Investments in perpetuity (including original gifts totaling \$200,000 as of December 31, 2021 and 2020) and the net investment return from which is expendable to support:		
General operations	312,318	265,912
Not subject to the Organization's spending policy or appropriation:		
Beneficial interest in trusts	1,195,764	1,199,254
	<u>\$ 2,803,408</u>	<u>\$ 3,373,444</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 years ended December 31, 2021 and 2020:

	2021	2020
Expiration of time restrictions	\$ 634,511	\$ 1,839,082
Dental and Wellness	62,906	175,658
Baty Villas	-	29,538
Senior Citizen Services	6,455	34,105
Workforce Development	92,488	-
Urban Empowerment Garden	25,949	-
VA Clubhouse	14,050	-
Beneficial interest in trusts	75,770	-
	<u>\$ 912,129</u>	<u>\$ 2,078,383</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, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 312,318	\$ 312,318
Board designated endowment funds	6,518,019	-	6,518,019
	<u>\$ 6,518,019</u>	<u>\$ 312,318</u>	<u>\$ 6,830,337</u>

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

Notes to Financial Statements

Note 10. Endowments (Continued)

	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>

Changes in endowment net assets are as follows for the years ended December 31, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 5,549,539	\$ 265,912	\$ 5,815,451
Investment return, net	968,480	46,406	1,014,886
Endowment net assets, ending	<u>\$ 6,518,019</u>	<u>\$ 312,318</u>	<u>\$ 6,830,337</u>

	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>

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, 2021 and 2020:

	2021	2020
Food	\$ 342,509	\$ 401,642
Lease space	438,793	438,073
Dental services	300,250	155,150
Psychiatric counseling	113,114	113,114
Thrift store	214,532	207,735
Other	11,903	5,446
	<u>\$ 1,421,101</u>	<u>\$ 1,321,160</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.

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

Notes to Financial Statements

Note 12. Other Income

In April 2021, 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.

In May 2020, the Organization received a PPP loan in the amount of \$608,725, which was guaranteed by the SBA under the 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.

The Organization elected to account for the PPP loans as a conditional contributions under Accounting Standards Codification (ASC) Subtopic 958-605. Management believes the revenue recognition criteria under ASC Subtopic 958-605 have been met as of December 31, 2020, for the May 2020 PPP loan, and as of December 31, 2021, for the April 2021 PPP loan. As such, these PPP loans have been recognized as other income in the statements of activities and changes in net assets as of December 31, 2021 and 2020.

In March 2021, the Organization received notification of loan forgiveness from the SBA in the amount of \$614,078 for the May 2020 PPP loan. This forgiveness included 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 approximately \$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 \$438,793 and \$438,073 was recognized as in-kind contributions revenue and in-kind lease space expenses in the accompanying financial statements for the years ended December 31, 2021 and 2020, respectively. Total rental expenses were approximately \$453,000 for the years ended December 31, 2021 and 2020.

Note 14. Related Parties

The pastor and the president of the Church serve on the Board of Directors. In 2021 and 2020, the Church leased real property to the Organization for a nominal rate.

For each of the years ended December 31, 2021 and 2020, the Church reimbursed the Organization approximately \$0 and \$20,000 for salaries and benefits for the Church's receptionist, respectively.

The Organization rents two houses from its founder emeritus for a total of \$1,500 a month. Total rent paid to the founder emeritus for each of the years ended December 31, 2021 and 2020, was \$18,000. This agreement expired in 2016 and has continued month-to-month since expiration.

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

Notes to Financial Statements

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.

Note 16. Concentrations

A significant portion of the Organization's activities are supported by funds provided by the United States federal government. In addition, for the year ended December 31, 2021, one donor made up 20% of contribution revenue. This donor did not have a receivable balance as of December 31, 2021.

Note 17. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of National Concern" and, on March 11, 2020, declared it to be a pandemic. The U.S. economy has been growing as COVID-19 pandemic conditions have significantly improved in the United States from their low points. Commercial activities in the United States have been increasingly returning to pre-pandemic practices and operations as a result of recent and expected future government spending on pandemic relief, infrastructure and other matters.

However, there remains uncertainty as to the ultimate duration and severity of the pandemic on commercial activities, supply chain constraints and labor availability, including risks that may arise from variants, mutations or related strains of the virus and the ability of countries to successfully administer vaccinations to a sufficient number of persons. As a result of these uncertainties, the Organization is unable to determine what the ultimate impact will be on its donors, clients, vendors and other stakeholders businesses, operations, financial result and financial position.

Note 18. Conditional Promises to Give from Donors

The Organization has conditional promises to give from grantors and donors of \$1,874,712 and \$2,341,405 as of December 31, 2021 and 2020, respectively. 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:

	2021	2020
Cash grants from U.S. government	\$ 1,549,684	\$ 2,185,230
Cash grants from other grantors/donors	33,826	156,175
Estates and trusts	291,202	-
	<u>\$ 1,874,712</u>	<u>\$ 2,341,405</u>

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

Schedule of Expenditures of Federal Awards Year Ended December 31, 2021

Federal Agency Pass-Through Entity Federal Program Cluster/Title	Pass-Through Entity Identifying/Contract Number	Assistance Listing 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	N/A	14.218	852	-
Community Development Block Grants/Entitlement Grants	CD20HEP	14.218	106,408	-
Passed through City of Clearwater:				
CDBG – Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	N/A	14.218	62,499	-
Community Development Block Grants/Entitlement Grants	N/A	14.218	88,960	-
			<u>768,719</u>	<u>-</u>
Passed through Pinellas County:				
Emergency Solutions Grant Program	ESG18HEP	14.231	58,813	-
Emergency Solutions Grant Program	ESG20HEP	14.231	75,826	-
Emergency Solutions Grant Program	ES19HEPREH	14.231	94,377	-
COVID-19: Emergency Solutions Grant Program	COVID CARES/ESG19HEP	14.231	20,635	-
			<u>249,651</u>	<u>-</u>
Direct award:				
Supportive Housing Program	FL0035L4H021911	14.235	33,268	-
Supportive Housing Program	FL0035L4H022012	14.235	25,808	-
Supportive Housing Program	FL0030L4H021912	14.235	29,538	-
Supportive Housing Program	FL0030L4H022013	14.235	76,462	-
			<u>165,076</u>	<u>-</u>
Passed through City of Clearwater:				
Home Investment Partnerships Program	N/A	14.239	823,005 *	-
Passed through Pinellas County:				
Home Investment Partnerships Program	N/A	14.239	1,800,000 *	-
			<u>2,623,005</u>	<u>-</u>
Direct award:				
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	52530B	14.871	98,581	-
			<u>98,581</u>	<u>-</u>
			<u>3,905,032</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development				
U.S. Department of Transportation				
Direct award:				
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	G1J15	20.513	13,979	-
			<u>13,979</u>	<u>-</u>
Total U.S. Department of Transportation				
U.S. Department of Veteran Affairs				
Direct award:				
VA Homeless Providers Grant and Per Diem Program	HEPI694-1332-516-PD-21	64.024	705,222	-
VA Homeless Providers Grant and Per Diem Program	HEPI694-1065-516-CM-20	64.024	95,224	-
VA Homeless Providers Grant and Per Diem Program	HEPI694-2237-516-CM-22	64.024	21,806	-
			<u>822,252</u>	<u>-</u>
Total U.S. Department of Veteran Affairs				
U.S. Department of Homeland Security				
Direct award:				
Emergency Food and Shelter National Board Program	169400-006 Phase 37	97.024	17,249	-
Emergency Food and Shelter National Board Program	169400-006 Phase 38	97.024	23,679	-
COVID: Emergency Food and Shelter National Board Program	169400-006 CARES Act	97.024	10,347	-
			<u>51,275</u>	<u>-</u>
Total U.S. Department of Homeland Security				
			<u>\$ 4,792,538</u>	<u>\$ -</u>

*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, 2021:

ALN	Description	Original Loan Amount	Balance at January 1, 2021	Loan Forgiveness	Balance at December 31, 2021
14.218	Community development block grants/ entitlement grants	\$ 100,000	\$ 100,000	\$ (100,000)	\$ -
14.218	Community development block grants/ entitlement grants	410,000	410,000	-	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 (the Organization), which comprise the statements of financial position as of December 31, 2021, 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 18, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

St. Petersburg, Florida
May 18, 2022

**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

Opinion on Each Major Federal Program

We have audited Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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 programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

RSM US LLP

St. Petersburg, Florida
May 18, 2022

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

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2021**

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

64.024

VA Homeless Providers Grant and Per Diem Program

14.218

Community Development Block Grants/Entitlement Grants

14.231

Emergency Solutions Grant 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, 2021**

There were no findings reported for the year ended December 31, 2020.