

FINANCIAL STATEMENTS AND AUDITORS' REPORT

HOMELESS EMERGENCY PROJECT, INC.  
D/B/A HOMELESS EMPOWERMENT PROGRAM

December 31, 2022

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statement 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program ("HEP") as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audited contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HEP and to meet our other ethical responsibilities with the 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 audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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 HEP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HEP'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 HEP'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.

### ***Prior Period Financial Statements***

The financial statements of Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program as of December 31, 2021 were audited by other auditors whose report dated May 18, 2022 expressed an unmodified opinion on those statements. The comparative information

presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statement from which it has been derived.

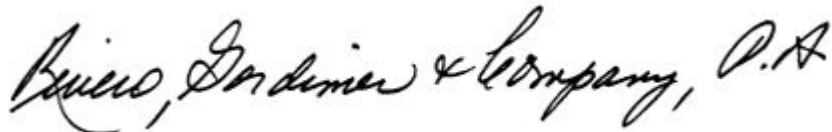
***Supplementary Information***

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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2023 on our consideration of HEP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 HEP's internal control over financial reporting and compliance.

Tampa, Florida  
May 16, 2023



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

STATEMENT OF FINANCIAL POSITION

December 31, 2022

(with summarized comparative totals for December 31, 2021)

ASSETS	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Current assets</b>				
Cash and cash equivalents	\$ 2,516,586	\$ 253,468	\$ 2,770,054	\$ 2,333,830
Grants receivable	421,191	-	421,191	210,611
Accounts receivable - other	241,069	-	241,069	235,707
Unconditional promises to give	37,258	10,000	47,258	59,337
Estate receivables	-	273,200	273,200	963,892
Prepaid expenses	111,532	-	111,532	119,023
Investments	2,368,130	-	2,368,130	2,482,046
Other assets	10,271	-	10,271	14,072
Total current assets	<u>5,706,037</u>	<u>536,668</u>	<u>6,242,705</u>	<u>6,418,518</u>
<b>Noncurrent assets</b>				
Property and equipment, net	8,783,504	-	8,783,504	9,211,993
Investments	5,385,658	270,027	5,655,685	6,830,337
Beneficial interest in trusts	-	934,237	934,237	1,195,764
Total noncurrent assets	<u>14,169,162</u>	<u>1,204,264</u>	<u>15,373,426</u>	<u>17,238,094</u>
<b>TOTAL ASSETS</b>	<u>\$ 19,875,199</u>	<u>\$ 1,740,932</u>	<u>\$ 21,616,131</u>	<u>\$ 23,656,612</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Accounts payable and accrued expenses	\$ 105,152	\$ -	\$ 105,152	\$ 98,940
Accrued payroll	130,518	-	130,518	131,376
Security deposits	890	-	890	890
Total current liabilities	<u>236,560</u>	<u>-</u>	<u>236,560</u>	<u>231,206</u>
Mortgages payable, net of mortgage costs	<u>3,605,544</u>	<u>-</u>	<u>3,605,544</u>	<u>3,605,017</u>
Total liabilities	<u>3,842,104</u>	<u>-</u>	<u>3,842,104</u>	<u>3,836,223</u>
<b>Net assets</b>				
Without donor restrictions	10,647,438	-	10,647,438	10,498,962
Without donor restrictions - board designated	5,385,657	-	5,385,657	6,518,019
With donor restrictions	-	1,740,932	1,740,932	2,803,408
Total net assets	<u>16,033,095</u>	<u>1,740,932</u>	<u>17,774,027</u>	<u>19,820,389</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 19,875,199</u>	<u>\$ 1,740,932</u>	<u>\$ 21,616,131</u>	<u>\$ 23,656,612</u>

The accompanying notes are an integral part of this financial statement.

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

STATEMENT OF FINANCIAL POSITION

December 31, 2021

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total
<b>Current assets</b>			
Cash and cash equivalents	\$ 2,002,396	\$ 331,434	\$ 2,333,830
Grants receivable	210,611	-	210,611
Accounts receivable - other	235,707	-	235,707
Unconditional promises to give	59,337	-	59,337
Estate receivables	-	963,892	963,892
Prepaid expenses	119,023	-	119,023
Investments	2,482,046	-	2,482,046
Other assets	14,072	-	14,072
Total current assets	<u>5,123,192</u>	<u>1,295,326</u>	<u>6,418,518</u>
<b>Noncurrent assets</b>			
Property and equipment, net	9,211,993	-	9,211,993
Investments	6,518,019	312,318	6,830,337
Beneficial interest in trusts	-	1,195,764	1,195,764
Total noncurrent assets	<u>15,730,012</u>	<u>1,508,082</u>	<u>17,238,094</u>
TOTAL ASSETS	<u>\$ 20,853,204</u>	<u>\$ 2,803,408</u>	<u>\$ 23,656,612</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	\$ 98,940	\$ -	\$ 98,940
Accrued payroll	131,376	-	131,376
Security deposits	890	-	890
Total current liabilities	<u>231,206</u>	<u>-</u>	<u>231,206</u>
Mortgages payable, net of mortgage costs	<u>3,605,017</u>	<u>-</u>	<u>3,605,017</u>
Total liabilities	<u>3,836,223</u>	<u>-</u>	<u>3,836,223</u>
<b>Net assets</b>			
Without donor restrictions	10,498,962	-	10,498,962
Without donor restrictions - board designated	6,518,019	-	6,518,019
With donor restrictions	<u>-</u>	<u>2,803,408</u>	<u>2,803,408</u>
Total net assets	<u>17,016,981</u>	<u>2,803,408</u>	<u>19,820,389</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,853,204</u>	<u>\$ 2,803,408</u>	<u>\$ 23,656,612</u>

The accompanying notes are an integral part of this financial statement.

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2022  
(with summarized comparative totals for the year ended December 31, 2021)

	Year Ended December 31, 2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
Public support and revenues				
Contributions	\$ 557,328	\$ 748,718	\$ 1,306,046	\$ 1,293,063
Estates and trusts	318,335	-	318,335	38,431
Special events revenue, net	81,054	-	81,054	107,812
In-kind contributions	1,750,918	-	1,750,918	1,421,101
Grants	3,236,423	-	3,236,423	3,145,172
Client fees	335,660	-	335,660	343,199
Thrift store sales	485,445	-	485,445	442,785
Other	49,010	-	49,010	955,431
Change in value of estate receivables	-	(33,501)	(33,501)	(80,638)
Change in value of beneficial interest in trusts	-	(189,068)	(189,068)	72,280
Net assets released from restrictions	1,546,334	(1,546,334)	-	-
Total public support and revenue	<u>8,360,507</u>	<u>(1,020,185)</u>	<u>7,340,322</u>	<u>7,738,636</u>
Expenses				
Program services	6,907,681	-	6,907,681	5,931,787
Management and general	752,660	-	752,660	695,206
Fundraising	640,979	-	640,979	593,829
Total expenses	<u>8,301,320</u>	<u>-</u>	<u>8,301,320</u>	<u>7,220,822</u>
Change in net assets before investment return	59,187	(1,020,185)	(960,998)	517,814
Investment return, net	<u>(1,043,073)</u>	<u>(42,291)</u>	<u>(1,085,364)</u>	1,219,728
Changes in net assets	<u>(983,886)</u>	<u>(1,062,476)</u>	<u>(2,046,362)</u>	1,737,542
Net assets at beginning of year	<u>17,016,981</u>	<u>2,803,408</u>	<u>19,820,389</u>	<u>18,082,847</u>
Net assets at end of year	<u>\$ 16,033,095</u>	<u>\$ 1,740,932</u>	<u>\$ 17,774,027</u>	<u>\$ 19,820,389</u>

The accompanying notes are an integral part of this financial statement.



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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues			
Contributions	\$ 1,229,682	\$ 63,381	\$ 1,293,063
Estates and trusts	38,431	-	38,431
Special events revenue, net	107,812	-	107,812
In-kind contributions	1,421,101	-	1,421,101
Grants	2,904,508	240,664	3,145,172
Client fees	343,199	-	343,199
Thrift store sales	442,785	-	442,785
Other	955,431	-	955,431
Change in value of estate receivables	-	(80,638)	(80,638)
Change in value of beneficial interest in trusts	-	72,280	72,280
Net assets released from restrictions	912,129	(912,129)	-
Total public support and revenue	<u>8,355,078</u>	<u>(616,442)</u>	<u>7,738,636</u>
Expenses			
Program services	5,931,787	-	5,931,787
Management and general	695,206	-	695,206
Fundraising	593,829	-	593,829
Total expenses	<u>7,220,822</u>	<u>-</u>	<u>7,220,822</u>
Change in net assets before investment return	1,134,256	(616,442)	517,814
Investment return, net	1,173,322	46,406	1,219,728
Changes in net assets	<u>2,307,578</u>	<u>(570,036)</u>	<u>1,737,542</u>
Net assets at beginning of year	<u>14,709,403</u>	<u>3,373,444</u>	<u>18,082,847</u>
Net assets at end of year	<u>\$ 17,016,981</u>	<u>\$ 2,803,408</u>	<u>\$ 19,820,389</u>

The accompanying notes are an integral part of this financial statement.

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

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2022  
(with summarized comparative totals for the year ended December 31, 2021)

	Program Services										Total	
	Housing Programs				Total Housing Programs	Support Services	Thrift Store	Total Program Services	Management and General	Development (Fundraising)	2022	2021
	Outreach	Emergency Shelter	Transitional	Permanent Housing							2022	2021
Salaries, and related expenses												
Salaries	\$ 128,296	\$ 485,032	\$ 328,805	\$ 318,118	\$ 1,260,251	\$ 617,909	\$ 274,214	\$ 2,152,374	\$ 457,977	\$ 427,548	\$ 3,037,899	\$ 2,772,681
Payroll taxes and benefits	29,424	96,760	53,207	60,205	239,596	133,832	55,879	429,307	86,603	66,928	582,838	533,147
Personnel expenses	1,416	6,772	9,009	10,014	27,211	9,632	5,236	42,079	5,511	4,456	52,046	53,927
Total salaries and net expenses	159,136	588,564	391,021	388,337	1,527,058	761,373	335,329	2,623,760	550,091	498,932	3,672,783	3,359,755
Client services	9,548	47,410	183,003	64,453	304,414	412,116	4,428	720,958	8,010	9,490	738,458	588,635
Dental and wellness clinic	25,112	80,333	79,212	110,510	295,167	12,841	-	308,008	-	-	308,008	320,545
Marketing	-	-	-	-	-	2,359	1,045	3,404	659	42,933	46,996	51,319
Food	37,723	133,545	143,844	176,230	491,342	11,806	8	503,156	2,851	273	506,280	382,980
In-kind lease space	34,985	119,305	116,551	169,320	440,161	-	-	440,161	-	-	440,161	438,793
In-kind services	46,678	159,119	155,504	225,910	587,211	-	-	587,211	-	-	587,211	339,548
Insurance	3,623	15,209	33,949	61,753	114,534	21,562	8,585	144,681	7,175	5,321	157,177	143,114
Interest	-	-	-	527	527	-	-	527	-	-	527	527
Learning center activities	-	-	-	-	-	324	-	324	-	-	324	-
Office expenses and supplies	1,998	7,194	6,066	6,531	21,789	18,321	14,926	55,036	23,142	41,623	119,801	94,139
Other expenses	1,417	4,640	4,533	6,585	17,175	-	-	17,175	-	-	17,175	-
Professional fees	1,671	6,255	5,248	4,271	17,445	8,400	3,569	29,414	46,118	2,616	78,148	83,558
Repairs and maintenance	7,011	65,141	64,154	112,621	248,927	22,806	10,479	282,212	7,417	5,076	294,705	245,036
Technology	2,371	8,919	7,539	6,147	24,976	19,889	11,650	56,515	6,237	30,341	93,093	71,611
Telephone	578	3,293	4,867	3,848	12,586	6,974	1,500	21,060	4,061	1,650	26,771	37,166
Utilities	25,505	50,533	80,660	158,450	315,148	34,835	30,445	380,428	2,725	1,825	384,978	321,199
Transportation expense	9,222	26,872	4,795	13,261	54,150	54,756	17,835	126,741	193	379	127,313	73,893
Depreciation	31,394	45,694	59,176	377,229	513,493	72,248	21,169	606,910	93,981	520	701,411	669,004
	<u>\$ 397,972</u>	<u>\$ 1,362,026</u>	<u>\$ 1,340,122</u>	<u>\$ 1,885,983</u>	<u>\$ 4,986,103</u>	<u>\$ 1,460,610</u>	<u>\$ 460,968</u>	<u>\$ 6,907,681</u>	<u>\$ 752,660</u>	<u>\$ 640,979</u>	<u>\$ 8,301,320</u>	<u>\$ 7,220,822</u>

The accompanying notes are an integral part of this financial statement.

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

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021

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
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
Personnel expenses	1,343	14,216	4,971	8,442	28,972	11,789	4,803	45,564	4,401	3,962	53,927
Total salaries and net 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
Client services	5,460	33,301	171,615	81,957	292,333	276,504	7,254	576,091	3,405	9,139	588,635
Dental and wellness clinic	22,773	72,504	93,709	122,765	311,751	8,794	-	320,545	-	-	320,545
Marketing	5	2,960	16	13	2,994	442	2,019	5,455	845	45,019	51,319
Food	23,575	80,077	126,032	139,895	369,579	11,204	98	380,881	1,363	736	382,980
In-kind lease space	-	41,990	205,968	76,280	324,238	71,324	-	395,562	22,236	20,995	438,793
In-kind services	22,749	77,413	101,790	137,596	339,548	-	-	339,548	-	-	339,548
Insurance	3,426	12,065	34,364	51,078	100,933	21,827	8,372	131,132	6,904	5,078	143,114
Interest	-	-	-	527	527	-	-	527	-	-	527
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
Professional fees	2,367	8,859	7,432	15,294	33,952	11,751	5,034	50,737	29,131	3,690	83,558
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
Technology	1,778	6,868	5,612	4,872	19,130	14,071	3,781	36,982	4,010	30,619	71,611
Telephone	641	2,839	8,289	6,568	18,337	9,757	1,712	29,806	4,767	2,593	37,166
Utilities	16,249	28,521	79,338	131,530	255,638	32,777	28,565	316,980	2,309	1,910	321,199
Transportation expense	4,172	8,364	1,872	9,678	24,086	35,812	13,010	72,908	684	301	73,893
Depreciation	13,744	33,579	56,948	354,307	458,578	84,720	28,439	571,737	96,747	520	669,004
	<u>\$ 269,351</u>	<u>\$ 943,059</u>	<u>\$ 1,328,451</u>	<u>\$ 1,609,044</u>	<u>\$ 4,149,905</u>	<u>\$ 1,365,830</u>	<u>\$ 416,052</u>	<u>\$ 5,931,787</u>	<u>\$ 695,206</u>	<u>\$ 593,829</u>	<u>\$ 7,220,822</u>

The accompanying notes are an integral part of this financial statement.

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

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (2,046,362)	\$ 1,737,542
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	701,411	669,004
Amortization of mortgage costs	527	527
Net unrealized and realized loss (gain) on investments	1,333,120	(1,107,899)
Donated investments	(124,330)	(70,260)
Distributions from beneficial interest in trusts	72,459	75,770
Change in value of beneficial interest in trust assets	189,068	(72,280)
Distributions from estate receivables	930,391	634,511
Change in value of estate receivables	33,501	80,638
Forgiveness of mortgages payable	-	(141,669)
(Decrease) increase in:		
Grants receivable	(210,580)	(15,638)
Unconditional promises to give	12,079	(30,297)
Estate receivable	(273,200)	-
Accounts receivable - other	(5,362)	(84,345)
Prepaid expenses	7,491	(29,420)
Other assets	3,801	(6,927)
Increase (decrease) in:		
Accounts payable and accrued liabilities	6,212	21,437
Accrued payroll	(858)	27,510
Deferred revenue	-	(20,221)
Net cash provided by operating activities	<u>629,368</u>	<u>1,667,983</u>
Cash flows from investing activities		
Purchases of investments	(1,420,646)	(1,942,197)
Proceeds from sale of investments	1,500,424	1,110,612
Purchases of property and equipment	<u>(272,922)</u>	<u>(387,551)</u>
Net cash used by investing activities	<u>(193,144)</u>	<u>(1,219,136)</u>
Net increase in cash and cash equivalents	436,224	448,847
Cash at beginning of year	<u>2,333,830</u>	<u>1,884,983</u>
Cash at end of year	<u>\$ 2,770,054</u>	<u>\$ 2,333,830</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A description of Homeless Emergency Project, Inc. and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Description of HEP

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

HEP provides emergency, transitional and permanent housing for men, women, children and veterans, including those with mental illnesses. HEP 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.
- 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: This program is 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 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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

- *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 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.
- *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 veterans 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 thrift store provides clients with job training, clothes and household items. All store proceeds are invested into the operations of the HEP.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

A summary of HEP's significant accounting policies follows:

2. Basis of Accounting

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 HEP and changes therein are classified and reported as follows:

- *Net Assets without Donor Restrictions*  
Contributions and other inflow 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 HEP or the passage of time or are permanently maintained by HEP. 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.

3. Use of Estimates

The preparation of financial statements in conformity with generally 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.

4. Cash and Cash Equivalents

HEP 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, HEP 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 - CONTINUED

December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Concentration of Credit Risk

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

6. Grants Receivable

HEP 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, 2022, and 2021, HEP considers all grants receivable to be fully collectible.

7. Investments and Endowments

Investments are carried at fair value. The fair value of publicly traded securities are 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.

8. 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.



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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2022, and 2021, HEP considers all unconditional promises to give to be fully collectible.

9. Estate Receivables

HEP has been named as a beneficiary of future distributions from various estates. These estates are recorded at fair value upon HEP's interest becoming irrevocable and measurable.

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

Property acquired with governmental funds is considered to be owned by HEP 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

HEP 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.

11. Impairment of Long-lived Assets

HEP 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, 2022 and 2021.

12. Beneficial Interest in Trusts

HEP 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 HEP; however, HEP 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 HEP received a 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.

13. 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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

14. Advertising Expense

HEP expenses advertising costs as incurred.

15. Revenue Recognition

HEP 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

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

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

16. Client Fees

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

17. 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. HEP 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. HEP 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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

18. In-kind Contributions

HEP's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of HEP. If an asset is provided that does not allow HEP to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

Contributed use of facilities is recorded as support at its estimated fair rental value during the period of use. Other tangible donations, such as food and other client goods, are recorded as support at their estimated fair value during the period of use. Fair value of food and client goods is determined based on a fixed value per pound or other methods specified by the donor. Contributed services that require specialized skills (attorneys, doctors, etc.) are recorded in the statements of activities and changes in net assets as support at their estimated fair value.

HEP receives contributions of goods and materials (inventory) and processes these contributions as merchandise available for sale in its retail thrift store. Management of HEP 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. There is no contribution revenue recorded in the accompanying financial statements for the years ending December 31, 2022 and 2021, associated with this inventory.

All gifts-in-kind received by HEP for the years ended December 31, 2022 and 2021 were considered without donor restrictions and able to be used by HEP as determined by the board of directors and management

19. Grant Revenue

Support and revenue related to government and other private grants is recognized when funds are utilized by HEP 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, HEP's agreements are considered conditional and so referred to as "conditional grants."

20. Recently Adopted Accounting Pronouncements

During the year ended December 31, 2022 HEP adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and related subsequent amendments. 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 statement 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. See also note M.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

During the year ended December 31, 2022, HEP adopted ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

21. 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. Management and general expenses that are not directly allocable are allocated based on their estimated time and effort in each program or supporting service.

22. Income Taxes

HEP 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 HEP'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.

HEP 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, HEP is no longer subject to U.S. federal or state income tax examinations by tax authorities for the years before December 31, 2019.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE B - AVAILABLE RESOURCES AND LIQUIDITY

HEP 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, HEP 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,;

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 2,770,054	\$ 2,333,830
Grants receivable	421,191	210,611
Accounts receivable - other	241,069	235,707
Unconditional promises to give	47,258	59,337
Estate receivables	273,200	963,892
Investments	8,023,815	9,312,383
Beneficial interests in trusts	934,237	1,195,764
Total financial assets	<u>12,710,824</u>	<u>14,311,524</u>
Less amounts not available to be used within one year		
Net assets with donor restrictions	1,740,932	2,803,408
Less net assets with time restrictions to be met in less than a year	(273,200)	(963,892)
Board designated endowment	<u>5,385,657</u>	<u>6,518,019</u>
	<u>6,853,389</u>	<u>8,357,535</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 5,857,435</u>	<u>\$ 5,953,989</u>

As part of HEP's liquidity management plan, HEP invests cash in excess of daily requirements in certificates of deposits and money market funds. HEP's cash position is monitored by executive management to ensure sufficient funds are available to meet daily requirements. Daily requirements are based on the budget, contracts, payroll and invoice schedules.

Additionally, not included as available are HEP's board designated endowment totaling \$5,385,519 and \$6,518,019 as of December 31, 2022 and 2021, 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 HEP by providing regular, predictable operating income that will help fill gaps caused by increasing costs, demands and the possibility of diminishing government support. Although HEP 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 HEP's program and facilities.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE C - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give and estate receivables at December 31, 2022 and 2021, are expected to be collected as follows:

	<u>2022</u>	<u>2021</u>
Less than one year	<u>\$ 320,458</u>	<u>\$ 1,023,229</u>

NOTE D - INVESTMENTS

Investments are summarized as follows at December 31,;

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 322,472	\$ 1,104,122
Fixed income securities - investment grade	1,279,879	1,395,630
Fixed income securities - global high yield	20,250	49,182
Equities - domestic	5,262,966	5,739,115
Equities - international	429,201	522,685
Equities - emerging markets	154,289	198,519
Private equity	167,526	-
REIT	166,842	16,867
Commodities	220,390	286,263
	<u>\$ 8,023,815</u>	<u>\$ 9,312,383</u>

Certain investments are pledged as collateral for the mortgage payable.

NOTE E - FAIR VALUE MEASUREMENT

HEP 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. HEP measures investments at fair value on a recurring basis.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE E - FAIR VALUE MEASUREMENT - Continued

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 HEP.

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 HEP'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.

HEP 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. HEP 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 HEP 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, 2022 and 2021, there were no changes to HEP'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.

The assets held in trust and the estate receivables are managed by an independent third-party trustee, and HEP 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, 2022 and 2021.



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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE E - FAIR VALUE MEASUREMENT - Continued

The following table summarizes major categories of HEP's assets measured at fair value on a recurring basis at December 31,;

	2022			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Money market funds	\$ 322,472	\$ 322,472	\$ -	\$ -
Fixed income securities - investment grade	1,279,879	-	1,279,879	-
Fixed income securities - global high yield	20,250	-	20,250	-
Equities - domestic	5,262,966	5,262,966	-	-
Equities - international	429,201	429,201	-	-
Equities - emerging markets	154,289	154,289	-	-
Private equity	167,526	167,526	-	-
REIT	166,842	166,842	-	-
Commodities	220,390	-	220,390	-
Total investments	8,023,815	6,503,296	1,520,519	-
Beneficial interest in trusts	-	-	-	934,237
Estate receivables	-	-	-	273,200
Total assets at fair value	<u>\$ 8,023,815</u>	<u>\$ 6,503,296</u>	<u>\$ 1,520,519</u>	<u>\$ 1,207,437</u>
	2021			
	Fair Value	Level 1	Level 2	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	-	-
Equities - emerging markets	198,519	198,519	-	-
REIT	16,867	16,867	-	-
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	<u>\$ 11,472,039</u>	<u>\$ 7,581,308</u>	<u>\$ 1,731,075</u>	<u>\$ 2,159,656</u>

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 11,853,622	\$ 11,853,622
Building improvements	4,274,511	4,085,346
Land	685,610	685,610
Land improvements	78,474	67,812
Furniture, fixtures and equipment	1,537,352	1,494,309
Construction in progress	<u>30,053</u>	<u>-</u>
	18,459,622	18,186,699
Less accumulated depreciation	<u>(9,676,118)</u>	<u>(8,974,706)</u>
	<u>\$ 8,783,504</u>	<u>\$ 9,211,993</u>

Depreciation expense is \$701,411 and \$669,004 for the years ended December 31, 2022 and 2021, respectively.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE G - MORTGAGES PAYABLE

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

	<u>2022</u>	<u>2021</u>
Mortgage 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 HEP 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 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 HEP 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) 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 HEP was to dispose of or alter the use of 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
	<u>3,616,608</u>	<u>3,616,608</u>
Less current portion	-	-
Less unamortized mortgage costs	<u>(11,064)</u>	<u>(11,591)</u>
	<u>\$ 3,605,544</u>	<u>\$ 3,605,017</u>

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE G - MORTGAGES PAYABLE - Continued

Future maturities of mortgages payable at December 31, 2022, are as follows:

<u>Years ending December 31:</u>	<u>Principal</u>	<u>Expected Forgiveness</u>	<u>Mortgage Costs</u>	<u>Total</u>
2023	\$ -	\$ -	\$ (527)	\$ (527)
2024	8,886	-	(527)	8,359
2025	61,022	-	(527)	60,495
2026	61,413	-	(527)	60,886
2027	62,836	-	(527)	62,309
Thereafter	2,104,683	1,317,768	(8,429)	3,414,022
	<u>\$ 2,298,840</u>	<u>\$ 1,317,768</u>	<u>\$ (11,064)</u>	<u>\$ 3,605,544</u>

Mortgage costs consist of the following as of December 31,;

	<u>2022</u>	<u>2021</u>
Mortgage costs	\$ 14,753	\$ 14,753
Less accumulated amortization	<u>(3,689)</u>	<u>(3,162)</u>
	<u>\$ 11,064</u>	<u>\$ 11,591</u>

Interest expense related to amortization of mortgage costs was \$527 for each of the years ended December 31, 2022 and 2021.

NOTE H - LINES OF CREDIT

HEP 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% (3.97% and 1.58% at December 31, 2022 and 2021, respectively). HEP 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, 2022 and 2021. HEP paid no interest associated with this agreement for the years ended December 31, 2022 and 2021. The agreement was renewed in May 2022 and expires in May 2024.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE H - LINES OF CREDIT - Continued

Additionally, HEP 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 at the prime lender rate (7.50% and 4.00% as of December 31, 2022 and 2021, respectively) and not to exceed 18% or fall below 4%. There was no amount outstanding at December 31, 2022 and 2021. HEP paid no interest associated with this credit line for the years ended December 31, 2022 and 2021. The agreement was renewed in the current year, extending the maturity until November 2023.

NOTE I - NET ASSETS

Net assets with donor restrictions were as follows as of December 31,;

	<u>2022</u>	<u>2021</u>
Subject to the passage of time		
Unconditional promises to give	\$ 10,000	\$ -
Estate receivables	273,200	963,892
Subject to expenditure for specified purpose		
Dental and wellness	24,978	60,118
Garden infrastructure and sustainability	64,983	69,063
General maintenance	52,400	-
Housing and other	7,594	60,563
Kitchen & dining Hall	26,337	20,515
Senior citizen services	6,393	10,733
Thrift store	25,255	10,832
VA clubhouse	-	16,670
Workforce development	-	55,861
Youth and families programs	45,528	27,079
Subject to HEP's spending policy & appropriation		
Investments in perpetuity (including original gifts totaling \$200,000 as of December 31, 2022 and 2021) and the net investment return from which is expendable to support:		
General operations	270,027	312,318
Not subject to HEP's spending policy or appropriation		
Beneficial interest in trusts	<u>934,237</u>	<u>1,195,764</u>
	<u>\$ 1,740,932</u>	<u>\$ 2,803,408</u>

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE I - 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,;

	2022	2021
Expiration of time restrictions	\$ 930,390	\$ 634,511
Beneficial interest in trusts	72,459	75,770
Dental and wellness	197,007	62,906
General maintenance	6,485	-
Housing	52,970	-
Kitchen and dining hall	19,178	-
Senior citizen services	4,340	6,455
Thrift store	7,077	-
Urban empowerment garden	79,080	25,949
VA clubhouse	29,215	14,050
Workforce development	122,719	92,488
Youth and families programs	25,414	-
	\$ 1,546,334	\$ 912,129

NOTE J - ENDOWMENTS

HEP'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 HEP 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 HEP 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 HEP's programs and facilities.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE J - ENDOWMENTS - Continued

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 6,518,019	\$ 312,318	\$ 6,830,337
Distributions	(249,748)	-	(249,748)
Investment return, net	(882,614)	(42,291)	(924,905)
Endowment net assets, ending	<u>\$ 5,385,657</u>	<u>\$ 270,027</u>	<u>\$ 5,655,684</u>
	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>

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, HEP 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 the 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.

HEP 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 HEP
- The investment policy of HEP
- The preservation and protection of assets

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE J - ENDOWMENTS - 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 HEP 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. HEP'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.

HEP 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.

HEP has an overall goal in the strategic plan to increase the endowments while maintaining the funding of programs at their current level. HEP 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 year ended December 31, 2022 HEP approved \$248,887 in distributions to fund current year operations. During the year ended 2021, HEP did not appropriate any earnings from endowment funds.

Investment Policy

HEP'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.



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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE K - 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,;

	<u>2022</u>	<u>2021</u>
Food	\$ 427,057	\$ 342,509
Lease space	440,161	438,793
Dental services	279,310	300,250
Psychiatric counseling	113,114	113,114
Client goods	473,933	214,532
Other	<u>17,343</u>	<u>11,903</u>
	<u>\$ 1,750,918</u>	<u>\$ 1,421,101</u>

NOTE L - OTHER INCOME

In April 2021, HEP 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 HEP utilizes all of the loan proceeds for forgivable purposes required under the CARES Act.

In December 2021, HEP received notification of loan forgiveness from the SBA in the amount of \$615,196 for the April 2021 PPP loan. This forgiveness included the original principal amount and \$6,471 in accrued interest. This amount is included as other income in the statement of activities and changes in net assets for the year ended December 31, 2021.

NOTE M - RELATED PARTY LEASES

HEP leases real properties from Everybody's Tabernacle (Church), a local community church. The pastor and the president of the Church serve on the Board of Directors. The service building is leased 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 \$440,161 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, 2022 and 2021, respectively.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE M - RELATED PARTY LEASES - Continued

HEP 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, 2022 and 2021, was \$18,000. The lease is renewed on an annual basis.

No amount has been recorded in the accompanying financial statements for the present value of these lease agreements, as the value cannot be estimated, the term is not substantiated, and the right to terminate the lease renders it conditional.

Total rental expenses were approximately \$472,000 and \$470,000 for the years ended December 31, 2022 and 2021, respectively.

NOTE N - CONTINGENCIES

HEP 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 O - CONCENTRATIONS

A significant portion of HEPs activities are supported by funds provided by the United States federal government. Future funding is dependent on the process of reapplication and award.

NOTE P - SUBSEQUENT EVENTS

Management has evaluated all events subsequent to the statements of financial position date of December 31, 2022, through May 16, 2023, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2022

Federal Agency Pass-Through Entity Federal Program Cluster/Title	Pass-Through Entity Identifying/Contract Number	Assistance Listing Number	Pass-Through Subrecipients	Total Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
Passed through Pinellas County:				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	N/A	14.218	\$ -	\$ 410,000
Community Development Block Grants/Entitlement Grants	N/A	14.218	-	73,558
Passed through City of Clearwater:				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	N/A	14.218	-	1,530
Community Development Block Grants/Entitlement Grants	N/A	14.218	-	88,922
			-	574,010
Passed through City of Pinellas County:				
Emergency Solutions Grant Program	ESG20HEP	14.231	-	154,339
Emergency Solutions Grant Program	ESGCV2HEP2	14.231	-	79,008
Emergency Solutions Grant Program	ESG21HEP	14.231	-	64,028
			-	297,375
Direct award:				
Supportive Housing Program	FL0035L4H022012	14.235	-	26,757
Supportive Housing Program	FL0035L4H022113	14.235	-	29,711
Supportive Housing Program	FL0030L4H022013	14.235	-	22,663
Supportive Housing Program	FL0030L4H022114	14.235	-	80,055
			-	159,186
Passed through City of Clearwater:				
Home Investment Partnerships Program	N/A	14.239	-	823,005
Passed through City of Pinellas County:				
Home Investment Partnerships Program	N/A	14.239	-	1,800,000
			-	2,623,005
Direct award:				
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	52530B	14.871	-	92,420
			-	92,420
<b>Total U.S. Department of Housing and Urban Development</b>			-	3,745,996
<b>U.S. Department of Transportation</b>				
Direct award:				
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors and Individual Disabilities	G1J15	20.513	-	20,514
<b>Total U.S. Department of Transportation</b>			-	20,514
<b>U.S. Department of Veteran Affairs</b>				
Direct award:				
VA Homeless Providers Grant and Per Diem Program	HEPI694-1332-516-PD-21	64.024	-	496,174
VA Homeless Providers Grant and Per Diem Program	HEPI694-1332-516-PD-21	64.024	-	227,373
VA Homeless Providers Grant and Per Diem Program	HEPI694-2237-516-CM-22	64.024	-	59,299
VA Homeless Providers Grant and Per Diem Program	HEPI694-2237-516-CM-22	64.024	-	22,882
<b>Total U.S. Department of Veteran Affairs</b>			-	805,728
<b>U.S. Department of Homeland Security</b>				
Direct award:				
Emergency Food and Shelter National Board Program	169400-006 Phase 39	97.024	-	10,000
<b>Total U.S. Department of Homeland Security</b>			-	10,000
<b>Total expenditures of federal awards</b>			\$ -	\$ 4,582,238

The accompanying notes are an integral part of this schedule.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2022

NOTE A - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activities of Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program (HEP). 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 HEP, 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 HEP.

Expenditures represent: 1) allowable costs, determined in accordance with federal cost principles, for cost-reimbursement contracts; and 2) allowable billings for fixed-fee and units of service contracts. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE B - INDIRECT COSTS

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

NOTE C - LOANS

HEP had the following loan balances at December 31, 2022:

ALN	Description	Original Loan Amount	Balance at January 1, 2022	Loan Forgiveness	Balance at December 31, 2022
14.218	Community development block grants/ entitlement grants	\$ 410,000	\$ 410,000	\$ -	\$ 410,000
14.239	Home investment partnership program	\$ 826,005	\$ 826,005	\$ -	\$ 826,005
14.239	Home investment partnership program	\$ 1,800,000	\$ 1,800,000	\$ -	\$ 1,800,000

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program (“HEP”), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 16, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered HEP’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 HEP’s internal control. Accordingly, we do not express an opinion on the effectiveness of HEP’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 or significant deficiencies may exist that were not identified.



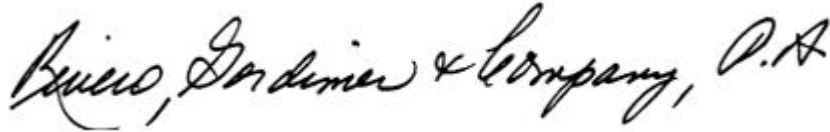
## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program's financial statements are free from material misstatement, we performed tests of its 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 HEP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HEP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tampa, Florida  
May 16, 2023

A handwritten signature in black ink that reads "Bruce, Gardner & Company, P.A." The signature is written in a cursive, flowing style.



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

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

December 31, 2022



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

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. ("HEP") 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 HEP's major federal programs for the year ended December 31, 2022. HEP's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program'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 Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program federal programs.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program'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 Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program'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 Homeless Emergency Project, Inc. d/b/a Homeless Empowerment Program'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.

A handwritten signature in cursive script that reads "Bruce, Gardner & Company, P.A." The signature is written in dark ink and is positioned to the right of the date and location information.

Tampa, Florida  
May 16, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

December 31, 2022

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

December 31, 2022

**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' 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 financial reporting

Material weakness(es) identified?

\_\_\_\_\_ yes      X   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes      X   none reported

Type of auditors' report issued on compliance for major federal programs ?

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ yes      X   no

Identification of major federal programs:

Assistance Listing Number

Name of Federal Program or Cluster

14.239

Home Investment Partnerships Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

  X   yes    \_\_\_\_\_ no

**Section II - Financial Statements Findings**

No matters were reported for the year ended December 31, 2022.

**Section III - Findings and Questioned Costs for Federal Award**

No matters were reported for the year ended December 31, 2022.

A summary of prior year audit findings is not presented because there were no prior year audit findings.