

HOUSING FORWARD
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2022 AND 2021
TOGETHER WITH AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Housing Forward and Subsidiary:

Opinion

We have audited the accompanying consolidated financial statements of Housing Forward and subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Housing Forward and Subsidiary as of December 31, 2022 and 2021, 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. 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 Housing Forward and Subsidiary 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Housing Forward and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Housing Forward and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Housing Forward and Subsidiary'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.

Independent Auditor's Report
To the Board of Directors of
Housing Forward and Subsidiary
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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.


DUGAN & LOPATKA

Warrenville, Illinois
June 20, 2023

HOUSING FORWARD AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

<u>A S S E T S</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,375,312	\$ 997,828
Cash held for others	21,669	12,919
Grants receivable	2,523,274	2,280,477
Prepaid expenses	6,929	29,100
Total current assets	<u>3,927,184</u>	<u>3,320,324</u>
PROPERTY AND EQUIPMENT, net	<u>479,087</u>	<u>43,417</u>
OTHER ASSETS:		
Earnest deposits	-	13,000
Right of use asset - Operating	366,326	-
Right of use asset - Financing	22,869	-
Security deposits	400,903	363,197
Total other assets	<u>790,098</u>	<u>376,197</u>
Total assets	<u>\$ 5,196,369</u>	<u>\$ 3,739,938</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 785,955	\$ 371,506
Agency liability	21,669	12,919
Line of credit	500,000	-
Note payable, current maturity	200,000	200,000
Accrued expenses	343,596	290,738
Lease liability, current maturity - Financing	5,681	-
Lease liability, current maturity - Operating	142,142	-
Refundable advances	178,439	492,915
Deferred revenue	-	47,250
Total current liabilities	<u>2,177,482</u>	<u>1,415,328</u>
LONG-TERM LIABILITIES		
Deferred compensation	23,302	27,556
Lease liability, net of current maturity - Operating	236,104	-
Lease liability, net of current maturity - Financing	17,188	-
Total long-term liabilities	<u>276,594</u>	<u>27,556</u>
Total liabilities	<u>2,454,076</u>	<u>1,442,884</u>
NET ASSETS:		
Without donor restrictions - Undesignated	1,537,302	1,664,416
- Board designated	200,000	200,000
With donor restrictions	1,004,991	432,638
Total net assets	<u>2,742,293</u>	<u>2,297,054</u>
Total liabilities and net assets	<u>\$ 5,196,369</u>	<u>\$ 3,739,938</u>

The accompanying notes are an integral part of this statement.

HOUSING FORWARD AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Public support and other income -						
Contributions	\$ 1,176,310	\$ 926,567	\$ 2,102,877	\$ 1,462,346	\$ 491,966	\$ 1,954,312
Special events	340,301	-	340,301	278,032	-	278,032
Program rent	195,419	-	195,419	211,417	-	211,417
Miscellaneous income	76,275	-	76,275	20,123	-	20,123
In-kind donations	502,363	-	502,363	472,418	-	472,418
Total public support and other income	2,290,668	926,567	3,217,235	2,444,336	491,966	2,936,302
Grants from governmental agencies -						
Federal government grants	9,205,567	-	9,205,567	8,104,816	-	8,104,816
State government grants	1,069,114	-	1,069,114	1,069,669	-	1,069,669
Local government grants	1,409,461	-	1,409,461	1,025,061	-	1,025,061
Total grants from governmental agencies	11,684,142	-	11,684,142	10,199,546	-	10,199,546
Net assets released from restrictions -						
Satisfaction of purpose restrictions	354,214	(354,214)	-	171,415	(171,415)	-
Total revenues and support	14,329,024	572,353	14,901,377	12,815,297	320,551	13,135,848
FUNCTIONAL EXPENSES:						
Program	11,517,154	-	11,517,154	10,079,156	-	10,079,156
Management and general	2,238,318	-	2,238,318	1,651,821	-	1,651,821
Fundraising	700,666	-	700,666	627,499	-	627,499
Total functional expenses	14,456,138	-	14,456,138	12,358,476	-	12,358,476
CHANGE IN NET ASSETS, before forgiveness of debt	(127,114)	572,353	445,239	456,821	320,551	777,372
Forgiveness of debt	-	-	-	536,348	-	536,348
CHANGE IN NET ASSETS	(127,114)	572,353	445,239	993,169	320,551	1,313,720
NET ASSETS, Beginning of year	1,864,416	432,638	2,297,054	871,247	112,087	983,334
NET ASSETS, End of year	\$ 1,737,302	\$ 1,004,991	\$ 2,742,293	\$ 1,864,416	\$ 432,638	\$ 2,297,054

The accompanying notes are an integral part of this statement.

HOUSING FORWARD AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 445,239	\$ 1,313,720
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation	17,260	11,319
Noncash portion of lease expense for operating leases	134,971	-
Repayment of lease liabilities	(123,051)	-
Forgiveness of note payable	-	(536,348)
Changes in assets and liabilities:		
(Increase) in grants receivable	(242,797)	(583,435)
(Increase) decrease in prepaid expenses	22,171	(21,000)
(Increase) in security deposits	(37,706)	(40,983)
(Increase) decrease in earnest deposits	13,000	(13,000)
Increase (decrease) in accounts payable and agency liability	423,199	(69,567)
Increase in accrued expenses	52,858	5,758
Increase (decrease) in refundable advances	(314,476)	134,926
Increase (decrease) in deferred compensation	(4,254)	16,774
Increase (decrease) in deferred revenue	(47,250)	28,650
Total adjustments	<u>(106,075)</u>	<u>(1,066,906)</u>
Net cash provided by operating activities	<u>339,164</u>	<u>246,814</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	<u>(447,395)</u>	<u>(5,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Draws on line of credit	500,000	-
Principal payments on finance lease liabilities	(5,535)	-
Proceeds from notes payable	-	200,000
Net cash provided by financing activities	<u>494,465</u>	<u>200,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	386,234	441,814
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,010,747</u>	<u>568,933</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,396,981</u>	<u>\$ 1,010,747</u>
NON- CASH INVESTING AND FINANCING ACTIVITIES		
Right of use assets acquired through operating lease	<u>\$ 529,702</u>	<u>\$ -</u>
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 1,375,312	\$ 997,828
Cash held for others	<u>21,669</u>	<u>12,919</u>
Total cash and cash equivalents	<u>\$ 1,396,981</u>	<u>\$ 1,010,747</u>

The accompanying notes are an integral part of this statement.

HOUSING FORWARD AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services							Total Program Services	Supporting Services		Total
	Interim Housing/ Shelter	Supportive Housing	Emergency Assistance	Rental Assistance	WRAP Services	Medical Respite	Diversion and Outreach		Management and General	Fundraising	
Salaries	\$ 602,118	\$ 726,241	\$ 216,501	\$ 493,321	\$ 463,967	\$ 137,183	\$ 310,358	\$ 2,949,689	\$ 1,140,375	\$ 405,481	\$ 4,495,545
Other benefits	78,370	132,041	28,173	93,446	49,055	20,959	52,792	454,836	157,509	45,694	658,039
Payroll taxes	45,803	56,032	16,891	37,583	37,551	10,533	22,001	226,394	82,707	30,926	340,027
Total salaries and related expenses	726,291	914,314	261,565	624,350	550,573	168,675	385,151	3,630,919	1,380,591	482,101	5,493,611
Professional fees and contracts	77,099	14,900	8,472	9,273	55,395	636,772	16,604	818,515	170,582	36,221	1,025,318
Board development	-	-	-	-	-	-	-	-	27,797	-	27,797
Occupancy	895,983	91,067	63,473	81,799	119	270,512	1,983	1,404,936	61,287	-	1,466,223
Food and supplies	39,211	3,740	363	16,327	1,681	3,647	7,517	72,486	22,071	5,204	99,761
Volunteer and staff development	-	1,763	405	1,367	2,722	1,051	506	7,814	36,370	1,668	45,852
Equipment repair, rental and replacement	18,383	14,588	2,997	2,715	7,397	388	6,814	53,282	20,436	2,225	75,943
Individual and family assistance	91,911	2,496,169	193,089	1,341,990	1,385	1,647	63,396	4,189,587	1,440	116	4,191,143
Grants to sub-recipients	-	432,627	-	594,264	-	-	-	1,026,891	-	-	1,026,891
Other expenses	857	3,051	731	2,268	1,157	200	1,335	9,599	87,136	24,059	120,794
Postage	73	35	-	-	-	-	27	135	3,756	6,469	10,360
Printing	742	170	2,064	34	170	892	1,534	5,606	7,567	25,384	38,557
Travel and transportation	5,306	19,647	261	20,338	8,023	39,540	6,788	99,903	4,319	67	104,289
Insurance	16,650	-	-	909	-	5,533	-	23,092	49,863	-	72,955
Telephone and pagers	221	2,809	168	2,077	824	132	3,039	9,270	11,628	128	21,026
Fund-raising events	-	-	-	100	101	-	-	201	4,333	111,461	115,995
Depreciation	-	-	-	-	-	-	-	-	17,260	-	17,260
In-kind food and professional services	164,918	-	-	-	-	-	-	164,918	331,882	5,563	502,363
Total functional expenses	\$ 2,037,645	\$ 3,994,880	\$ 533,588	\$ 2,697,811	\$ 629,547	\$ 1,128,989	\$ 494,694	\$ 11,517,154	\$ 2,238,318	\$ 700,666	\$ 14,456,138

The accompanying notes are an integral part of this statement.

HOUSING FORWARD AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services							Total Program Services	Supporting Services		
	Interim Housing/ Shelter	Supportive Housing	Emergency Assistance	Rental Assistance	Employment Readiness	Medical Respite	Diversion and Outreach		Management and General	Fundraising	Total
Salaries	\$ 548,578	\$ 527,483	\$ 232,031	\$ 510,630	\$ 126,361	\$ 175,288	\$ 289,650	\$ 2,410,021	\$ 884,491	\$ 301,376	\$ 3,595,888
Other benefits	58,418	98,735	39,473	89,865	11,130	33,194	47,053	377,868	110,270	43,314	531,452
Payroll taxes	46,479	46,695	19,455	43,596	11,376	13,948	24,331	205,880	45,464	25,903	277,247
Total salaries and related expenses	653,475	672,913	290,959	644,091	148,867	222,430	361,034	2,993,769	1,040,225	370,593	4,404,587
Professional fees and contracts	148,613	31,724	11,489	24,450	2,258	413,314	10,564	642,412	151,882	36,186	830,480
Board development	-	-	-	-	-	-	-	-	884	-	884
Occupancy	842,905	18,826	41,072	21,747	16,296	272,523	9,870	1,223,239	59,584	35,264	1,318,087
Food and supplies	20,421	5,101	883	5,131	154	12,383	5,115	49,188	1,105	16,178	66,471
Volunteer and staff development	7,230	4,806	2,007	4,254	441	2,536	2,215	23,489	27,020	3,756	54,265
Equipment repair, rental and replacement	32,505	8,453	5,391	12,604	182	1,332	8,552	69,019	11,318	5,536	85,873
Individual and family assistance	34,118	2,315,511	75,795	1,459,090	-	82,317	20,126	3,986,957	-	-	3,986,957
Grants to sub-recipients	-	410,578	-	275,111	-	-	-	685,689	-	-	685,689
Other expenses	35,280	6,199	1,898	4,422	593	3,540	2,403	54,335	62,825	23,271	140,431
Postage	317	270	1,864	311	24	47	209	3,042	876	17,561	21,479
Printing	2,002	1,538	10,466	1,680	136	384	2,333	18,539	3,709	37,109	59,357
Travel and transportation	31,720	12,385	215	13,340	4,045	4,281	5,779	71,765	1,745	27	73,537
Insurance	13,449	7,837	3,602	9,144	792	1,583	3,958	40,365	12,667	4,292	57,324
Telephone and pagers	2,871	4,089	1,714	4,160	387	988	2,581	16,790	3,636	1,120	21,546
Fund-raising events	-	59	-	136	-	-	-	195	1,412	66,165	67,772
Depreciation	-	-	2,418	-	2,418	-	-	4,836	6,483	-	11,319
In-kind space, supplies and services	195,527	-	-	-	-	-	-	195,527	266,450	10,441	472,418
Total functional expenses	\$ 2,020,433	\$ 3,500,289	\$ 449,773	\$ 2,479,671	\$ 176,593	\$ 1,017,658	\$ 434,739	\$ 10,079,156	\$ 1,651,821	\$ 627,499	\$ 12,358,476

The accompanying notes are an integral part of this statement.

HOUSING FORWARD AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

The consolidated financial statements were available to be issued on June 20, 2023, with subsequent events being evaluated through this date.

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

Basis of Accounting -

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

Basis of Presentation -

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

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the board of directors. As of December 31, 2022 and 2021, the Organization had designated \$200,000 as a reserve for future operations.

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

Cash and Cash Equivalents -

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

Concentrations of Credit Risk -

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

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

Promises to Give -

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

Grants Revenue and Receivables -

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has received \$178,439 and \$492,915 in advance under their federal and state contracts and grants as of December 31, 2022 and 2021, respectively.

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

Property and Equipment -

Property and equipment are carried at original cost or fair market value at date of receipt for donated assets less accumulated depreciation. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years. Depreciation expense totaled \$17,260 and \$11,319 in 2022 and 2021, respectively.

Revenue Recognition for Public Support -

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

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

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

Program Rent -

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

In-Kind Contributions -

The Organization receives contributed nonfinancial assets that include donated professional services, facilities, and other goods and supplies. Gifts in-kind revenue is recorded at the respective fair values of the goods or services received at the time of the donation.

In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles that prohibits the recording of donated services unless they create or enhance a nonfinancial asset or are specialized skills that would have been purchased if they were not donated.

Deferred Revenue -

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

Basis of Consolidation -

HF-Broadview, LLC is consolidated with Housing Forward for financial reporting purposes. Housing Forward is the single member of HF-Broadview, LLC and therefore controls the LLC. All significant intercompany account balances and transactions have been eliminated. HF-Broadview total assets consist of cash and deposits totaling approximately \$487,000 and \$375,000 and property and equipment totaling approximately \$303,000 and \$-0- for years ended December 31, 2022 and 2021, respectively, HF-Broadview's total liabilities consist of notes payable totaling approximately \$200,000 for years ended December 31, 2022 and 2021. HF-Broadview's revenue consist mostly of contributions and totaled approximately \$415,000 and \$200,000 for the year ended December 31, 2022 and 2021, respectively.

Use of Estimates -

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

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

Allocation of Expenses -

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

Income Taxes -

The Organization has been determined by the Internal Revenue Service to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established. HF-Broadview, LLC is considered a disregarded entity, since it is a single member LLC and HF-Broadview, LLC is part of the Organization 990.

The Organization files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2019. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

Leases -

The Organization determines if an arrangement is a lease or contains a lease at inception of the contract. The Organization's operating leases are presented in operating lease right-of-use assets and current and long-term operating lease liabilities in the accompanying consolidated statement of financial position. The Organization's finance leases are presented in finance lease right-of use assets and current and long-term finance lease liabilities in the accompanying consolidated statement of financial position.

Both operating lease and finance lease right-of-use assets and lease liabilities are measured based on the present value of future lease payments over the lease term at each lease's commencement date. As most of the Organization's leases do not specify their implicit rate, the Organization has elected a practical expedient to use the nominal yield, at lease inception, applicable to U.S. Treasury instruments with a maturity of similar length of the lease term.

Operating lease right-of-use assets include all fixed contractual lease payments and initial direct costs incurred by the Organization, less any lease incentives the Organization receives from the lessor. The Organization has elected a practical expedient to account for lease and non-lease components together as a single lease component. The terms of the Organization's leases generally contain lease payments and other reimbursements to the lessor. Only the fixed lease components are included in the right-of-use assets and lease liabilities. Additionally, the Organization has elected not to apply these lease accounting policies to leases with a term of one year or less at the commencement date.

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

Leases - (Continued)

Operating lease expense for lease payments is recognized on a straight-line basis over the terms of each lease. Variable lease components could include common area maintenance, real estate taxes and other charges and are recorded as lease expense as incurred. Finance lease expense is recognized in two separate components, the interest expense on the lease liability and amortization of the right-of-use asset.

The Organization's leases can contain options granting the right to renew or extend the term of the lease for specified option periods. The decision as to whether the Organization will exercise the renewal options is generally at the Organization's sole discretion. The Organization includes lease extensions in the lease term when it is reasonably certain that the Organization will exercise the extension.

New Accounting Pronouncement -

Effective January 1, 2022, the Organization adopted ASU 2016-02, *Leases* (Topic 842) and subsequent amendments. Under ASU 2016-02, all of the Organization's real estate and equipment leases that have lease terms exceeding twelve months will now be required to be recognized on the balance sheet as amortizable right-of-use assets accompanied by liabilities for the present value of the lease payments that the Organization is obligated to make in order to obtain control of the leased assets for the duration of each lease term.

Lease expense, under these amendments, will be recognized in different patterns depending on whether the underlying lease is an operating lease or a finance lease. Lease expense for operating leases will be recognized as a single expense using the straight-line method over the term of the lease, which includes options to renew the lease that the Organization is reasonably expected to exercise. Finance lease expense will consist of two components, interest expense on the lease obligation payable and straight-line amortization of the right-of-use asset.

Implementation of these amendments is reflected using the modified retrospective method as of January 1, 2022. Consequently, the 2021 financial statements and disclosures do not reflect the effects of implementing the new lease standard. As a result of implementation, the Organization recorded additional operating lease assets and operating lease liabilities of \$428,413 as of January 1, 2022. Upon implementation, the Organization elected an available package of practical expedients permitted under the transition guidance included in ASU 2018-11, *Leases* (Topic 842) – *Targeted Improvements* that permits the Organization to carry forward the historical lease identification, classification and initial direct costs associated with the Organization's pre-existing leases. The implementation of the amendments did not materially impact the Organization's net earnings or cash flows.

(2) LIQUIDITY AND AVAILABILITY:

	December 31,	
	<u>2022</u>	<u>2021</u>
Financial assets -		
Cash and cash equivalents	\$ 1,375,312	\$ 997,828
Grant receivable	<u>2,523,274</u>	<u>2,280,477</u>
Total financial assets	3,898,586	3,278,305
Less: Donor imposed restrictions	<u>1,004,991</u>	<u>432,638</u>
Net financial assets after donor-imposed restrictions	2,893,595	2,845,667
Less: Internal designations - Board advised funds	<u>200,000</u>	<u>200,000</u>
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	<u>\$ 2,693,595</u>	<u>\$ 2,645,667</u>

The Organization receives contributions, some of which are restricted by donors to fund specific programs or projects. Such restricted funds are tracked for use for the identified program or project. Restricted contributions of \$926,567 and \$491,966 were received for the years ended December 31, 2022 and 2021, respectively.

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

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

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

(3) PROPERTY AND EQUIPMENT:

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

	<u>2022</u>	<u>2021</u>
Office equipment	\$ 247,116	\$ 169,453
Site equipment	16,833	16,833
Leasehold improvements	135,032	62,742
Construction in progress	302,977	-
Support Center expansion	<u>284,133</u>	<u>284,133</u>
	986,091	533,161
Less - Accumulated depreciation	<u>(507,004)</u>	<u>(489,744)</u>
	<u>\$ 479,087</u>	<u>\$ 43,417</u>

(4) LINE OF CREDIT:

The Organization has a \$1,250,000 line of credit from a bank, bearing interest at prime plus one half percent (prime was 7.5% as of December 31, 2022) and due in June, 2023. As of December 31, 2022 and 2021, the Organization has borrowings of \$500,000 and \$-0-, respectively.

(5) RETIREMENT PLAN:

Effective January 1, 2008, the Organization adopted a Simple Retirement Plan for eligible employees. The Organization provided matching contributions of 3% for the years ended December 31, 2022 and 2021. Contributions to the plan were \$30,114 and \$57,258 for the years ended December 31, 2022 and 2021, respectively.

(6) NOTE PAYABLE:

Note payable consists of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Note payable to third party, bearing no interest, due when the Organization has received the funds from Illinois Housing Department Authority on the date of closing.	200,000	200,000
Less - Current portion	<u>200,000</u>	<u>200,000</u>
Long-term portion	<u>\$ -</u>	<u>\$ -</u>

(7) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interim Housing	\$ 247,102	\$ 95,054
Rental assistance	167,486	87,194
HF Broadview LLC	590,403	175,390
Other	<u>-</u>	<u>75,000</u>
	<u>\$ 1,004,991</u>	<u>\$ 432,638</u>

(8) IN KIND CONTRIBUTIONS:

The Organization received in-kind contributions for the years ended December 31, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Food	\$ 91,159	\$ 103,790
Professional services	<u>411,204</u>	<u>368,628</u>
Total	<u>\$ 502,363</u>	<u>\$ 472,418</u>

Fair value of in-kind contributions is determined as follows:

Food: valued at the estimated U.S. wholesale prices of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution.

Professional services: valued at the fair value based on the current rates for similar professional services.

(9) DEFERRED COMPENSATION AGREEMENTS:

The Company has nonqualified deferred compensation agreements with a certain key employee. The agreements generally provide benefits either in a lump sum or in annual installments over a period of 5 to 10 years as elected by the employee following an employee retirement age of 67. The agreements provide for the payments of benefits to surviving beneficiaries and contain other provisions for payments of benefits. The total deferred compensation payable as of December 31, 2022 and 2021 is \$23,302 and \$27,556, respectively.

(10) CONCENTRATIONS OF GRANTS:

Housing Forward received approximately 52% of its total public support and revenue from U.S. Department of Housing and Urban Development and Coronavirus Relief Fund/American Rescue Plan for the year ended December 31, 2022 and 40% from U.S. Department of Housing and Urban Development and Coronavirus Relief Fund/American Rescue Plan for year ended December 31, 2021.

(11) LEASES:

The Organization leases its facilities located in Illinois under operating leases with non-related parties. The Organization is also responsible for its share of real estate taxes, insurance and maintenance costs for the buildings. The operating leases will expire at various dates through 2026. Rent expense paid under the lease amounted to \$175,788 for the year ended December 31, 2022.

Additionally, the Organization leases various equipment under finance leases, which expires at various dates until January 2027. Total equipment under the finance lease is \$28,404 before accumulated amortization. The net book value of the leased equipment totaled \$22,869 at December 31, 2022.

(11) LEASES: (Continued)

The components of lease expenses for the year ending December 31, 2022 are as follows:

Finance lease expense -	
Amortization of right-of-use asset	\$ 5,536
Interest on lease liability	<u>478</u>
Total finance lease expense	<u>\$ 6,014</u>
Operating lease expense -	
Operating lease cost	\$ 134,971
Variable lease cost	<u>20,702</u>
Total operating lease expense	<u>\$ 155,673</u>

Future minimum lease payments under noncancelable leases as of December 31, 2022 are as follows:

	<u>Operating</u>	<u>Finance</u>
2023	\$ 149,424	\$ 5,980
2024	129,897	5,980
2025	100,669	5,980
2026	16,883	5,809
2027	<u>-</u>	<u>327</u>
Total future minimum lease payments	396,873	24,076
Less amount representing interest	<u>(18,627)</u>	<u>(1,207)</u>
Present value of net minimum lease payments	<u>\$ 378,246</u>	<u>\$ 22,869</u>

The following provides additional information related to the Company's leases as of and for the year ended December 31, 2022:

	<u>2022</u>	
	<u>Operating</u>	<u>Finance</u>
Current portion of lease liabilities	\$ 142,142	\$ 5,681
Long-term portion of lease liabilities	<u>236,104</u>	<u>17,188</u>
Total lease liabilities	<u>\$ 378,246</u>	<u>\$ 22,869</u>
	<u>Operating</u>	<u>Finance</u>
Weighted average lease term	2.74 years	3.95 years
Weighted average discount rate	1.89%	2.1%

(11) LEASES: (Continued)

Cash paid for amounts included in the measurements of the Organization's leases for the year ended December 31, 2022, is as follows:

Operating cash from operating leases	\$	141,245
Operating cash flow from finance lease		288
Finance cash flow from finance lease		5,535

The Organization has leases for the Interim Housing program due to federal and state COVID 19 guidelines that have short-term leases. Rent expense paid under these leases amounted to \$1,041,496 and \$1,067,625 for the years ended December 31, 2022 and 2021, respectively.

The Organization also leased various units for permanent supportive housing that have short-term leases. Rental assistance provided on these properties was approximately \$3,973,000 and \$3,676,000 for the years ended December 31, 2022 and 2021, respectively.

HOUSING FORWARD AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2022

<u>A S S E T S</u>	<u>HOUSING FORWARD</u>	<u>HF BROADVIEW</u>	<u>Consolidated Totals</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 887,886	\$ 487,426	\$ 1,375,312
Cash held for others	21,669	-	21,669
Grants receivable	2,523,274	-	2,523,274
Prepaid expenses	6,929	-	6,929
Total current assets	<u>3,439,758</u>	<u>487,426</u>	<u>3,927,184</u>
PROPERTY AND EQUIPMENT, net	<u>176,110</u>	<u>302,977</u>	<u>479,087</u>
OTHER ASSETS:			
Right of use asset - Operating	366,326	-	366,326
Right of use asset - Capital	22,869	-	22,869
Security deposits	400,903	-	400,903
Total other assets	<u>790,098</u>	<u>-</u>	<u>790,098</u>
Total assets	<u>\$ 4,405,966</u>	<u>\$ 790,403</u>	<u>\$ 5,196,369</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Accounts payable	\$ 785,955	\$ -	\$ 785,955
Agency liability	21,669	-	21,669
Line of credit	500,000	-	500,000
Note payable, current maturity	-	200,000	200,000
Accrued expenses	343,596	-	343,596
Lease liability, current maturity - Financing	5,681	-	5,681
Lease liability, current maturity - Operating	142,142	-	142,142
Refundable advances	178,439	-	178,439
Total current liabilities	<u>2,000,784</u>	<u>200,000</u>	<u>2,200,784</u>
LONG-TERM LIABILITIES			
Deferred Compensation	23,302	-	23,302
Lease liability, net of current maturity - Operating	236,104	-	236,104
Lease liability, net of current maturity - Financing	17,188	-	17,188
Note payable, net of current maturity	200,000	-	200,000
Total long-term liabilities	<u>476,594</u>	<u>-</u>	<u>476,594</u>
Total liabilities	<u>2,254,076</u>	<u>200,000</u>	<u>2,454,076</u>
NET ASSETS:			
Without donor restrictions - Undesignated	1,537,302	-	1,537,302
- Board designated	200,000	-	200,000
With donor restrictions	414,588	590,403	1,004,991
Total net assets	<u>2,151,890</u>	<u>590,403</u>	<u>2,742,293</u>
Total liabilities and net assets	<u>\$ 4,405,966</u>	<u>\$ 790,403</u>	<u>\$ 5,196,369</u>

HOUSING FORWARD AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022

	Housing Forward 2022			HF Broadview 2022			Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE:							
Public support and other income -							
Contributions	\$ 1,176,310	\$ 511,554	\$ 1,687,864	-	\$ 415,013	\$ 415,013	\$ 2,102,877
Special events	340,301	-	340,301	-	-	-	340,301
Program rent	195,419	-	195,419	-	-	-	195,419
Miscellaneous income	76,275	-	76,275	-	-	-	76,275
In-kind donations of supplies, space and services	502,363	-	502,363	-	-	-	502,363
Total public support and other income	<u>2,290,668</u>	<u>511,554</u>	<u>2,802,222</u>	<u>-</u>	<u>415,013</u>	<u>415,013</u>	<u>3,217,235</u>
Grants from governmental agencies -							
Federal government grants	9,205,567	-	9,205,567	-	-	-	9,205,567
State government grants	1,069,114	-	1,069,114	-	-	-	1,069,114
Local government grants	1,409,461	-	1,409,461	-	-	-	1,409,461
Total grants from governmental agencies:	<u>11,684,142</u>	<u>-</u>	<u>11,684,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,684,142</u>
Net assets released from restrictions -							
Satisfaction of purpose restrictions	354,214	(354,214)	-	-	-	-	-
Total revenues and support	<u>14,329,024</u>	<u>157,340</u>	<u>14,486,364</u>	<u>-</u>	<u>415,013</u>	<u>415,013</u>	<u>14,901,377</u>
FUNCTIONAL EXPENSES:							
Program	11,517,154	-	11,517,154	-	-	-	11,517,154
Management and general	2,238,318	-	2,238,318	-	-	-	2,238,318
Fundraising	700,666	-	700,666	-	-	-	700,666
Total functional expenses	<u>14,456,138</u>	<u>-</u>	<u>14,456,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,456,138</u>
CHANGE IN NET ASSETS	(127,114)	157,340	30,226	-	415,013	415,013	445,239
NET ASSETS, Beginning of year	<u>1,864,416</u>	<u>257,248</u>	<u>2,121,664</u>	<u>-</u>	<u>175,390</u>	<u>175,390</u>	<u>2,297,054</u>
NET ASSETS, End of year	<u>\$ 1,737,302</u>	<u>\$ 414,588</u>	<u>\$ 2,151,890</u>	<u>\$ -</u>	<u>\$ 590,403</u>	<u>\$ 590,403</u>	<u>\$ 2,742,293</u>