

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR
THE ELDERLY, INC.**

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2019 AND 2018



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**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Housing Opportunities and Maintenance for the Elderly, Inc.
Chicago, Illinois

We have audited the accompanying financial statements of Housing Opportunities and Maintenance for the Elderly, Inc. (the Organization), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Board of Directors
Housing Opportunities and Maintenance for the Elderly, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.



CliftonLarsonAllen LLP

Oak Brook, Illinois
August 6, 2020

HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 139,681	\$ 57,441
Certificates of Deposit	-	1,533
Investments	1,924,752	1,725,881
Accounts Receivable	110,493	75,617
Prepaid Expenses	20,748	32,907
Total Current Assets	2,195,674	1,893,379
PROPERTY AND EQUIPMENT, NET	3,801,788	3,989,464
OTHER ASSETS		
Escrow Accounts	49,735	38,428
Security Deposits	2,500	2,500
Loan Fees, Net	8,483	8,797
Total Other Assets	60,718	49,725
Total Assets	\$ 6,058,180	\$ 5,932,568
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 53,239	\$ 40,265
Current Portion of Long-Term Debt	8,250	8,250
Accrued Expenses	50,616	44,762
Deferred Revenue - Grants	2,000	3,200
Total Current Liabilities	114,105	96,477
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	2,734,041	2,742,291
Total Liabilities	2,848,146	2,838,768
NET ASSETS		
Without Donor Restrictions		
Board-Designated Building Reserve	101,460	110,000
Board-Designated Special Projects Reserve	30,550	30,000
Board-Designated Investments	1,804,287	1,585,881
General, Undesignated	1,262,045	1,318,069
Total Net Assets Without Donor Restrictions	3,198,342	3,043,950
With Donor Restrictions	11,692	49,850
Total Net Assets	3,210,034	3,093,800
Total Liabilities and Net Assets	\$ 6,058,180	\$ 5,932,568

See accompanying Notes to Financial Statements.

HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Contributions	\$ 344,125	\$ 5,842	\$ 349,967	\$ 361,453	\$ 5,850	\$ 367,303
Grants	584,710	-	584,710	363,490	25,000	388,490
Bequests	270,720	-	270,720	239,117	-	239,117
Rent from Housing Facilities and Rental Subsidies	792,424	-	792,424	807,076	-	807,076
Government Contracts	66,043	-	66,043	64,725	-	64,725
Net Investment Income	23,321	-	23,321	57,731	-	57,731
Special Events	108,437	-	108,437	105,325	-	105,325
Other Income	82,918	-	82,918	60,486	-	60,486
Net Assets Released from Restrictions	44,000	(44,000)	-	33,000	(33,000)	-
Total Revenues and Other Support	<u>2,316,698</u>	<u>(38,158)</u>	<u>2,278,540</u>	<u>2,092,403</u>	<u>(2,150)</u>	<u>2,090,253</u>
EXPENSES						
Program Services	1,732,170	-	1,732,170	1,704,080	-	1,704,080
Management and General	180,610	-	180,610	180,048	-	180,048
Fundraising Expenses	249,526	-	249,526	245,775	-	245,775
Total Expenses	<u>2,162,306</u>	<u>-</u>	<u>2,162,306</u>	<u>2,129,903</u>	<u>-</u>	<u>2,129,903</u>
CHANGE IN NET ASSETS	154,392	(38,158)	116,234	(37,500)	(2,150)	(39,650)
Net Assets - Beginning of Year	<u>3,043,950</u>	<u>49,850</u>	<u>3,093,800</u>	<u>3,081,450</u>	<u>52,000</u>	<u>3,133,450</u>
NET ASSETS - END OF YEAR	<u>\$ 3,198,342</u>	<u>\$ 11,692</u>	<u>\$ 3,210,034</u>	<u>\$ 3,043,950</u>	<u>\$ 49,850</u>	<u>\$ 3,093,800</u>

See accompanying Notes to Financial Statements.

HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019				2018			
	Program Services	Management and General	Fundraising Expenses	Total	Program Services	Management and General	Fundraising Expenses	Total
Employment Costs:								
Salaries	\$ 669,623	\$ 99,306	\$ 114,105	\$ 883,034	\$ 665,112	\$ 97,210	\$ 125,104	\$ 887,426
Payroll Taxes	49,711	7,405	8,484	65,600	49,263	7,161	9,239	65,663
Other Benefits	50,166	6,584	6,956	63,706	45,368	2,234	9,567	57,169
Subcontractors	170,944	-	-	170,944	172,992	-	-	172,992
Other	8,351	1,176	1,177	10,704	12,587	1,717	958	15,262
Program Supplies	97,748	-	-	97,748	101,836	-	-	101,836
Depreciation Expense	231,908	-	-	231,908	221,512	-	-	221,512
Telephone and Internet	25,190	1,503	1,997	28,690	23,094	1,578	1,425	26,097
Maintenance and Security	85,739	1,268	1,683	88,690	95,974	2,000	2,295	100,269
Residential Services	49,608	-	-	49,608	46,705	-	-	46,705
General and Administrative	36,563	16,239	12,055	64,857	24,935	16,398	11,311	52,644
Outside Services	16,377	31,217	12,111	59,705	16,574	35,599	4,143	56,316
Fundraising and Promotion	-	-	16,480	16,480	-	-	17,607	17,607
Transportation	57,691	77	51	57,819	60,575	536	36	61,147
Rent	30,694	6,310	8,365	45,369	28,025	4,937	5,681	38,643
Insurance	75,691	8,942	11,541	96,174	67,326	7,481	8,312	83,119
Utilities	71,840	583	773	73,196	69,535	526	605	70,666
Bad Debt Expense	4,326	-	-	4,326	2,254	-	-	2,254
Interest Expense	-	-	-	-	-	2,625	-	2,625
Special Events	-	-	53,748	53,748	-	-	49,441	49,441
Other	-	-	-	-	413	46	51	510
Total	<u>\$ 1,732,170</u>	<u>\$ 180,610</u>	<u>\$ 249,526</u>	<u>\$ 2,162,306</u>	<u>\$ 1,704,080</u>	<u>\$ 180,048</u>	<u>\$ 245,775</u>	<u>\$ 2,129,903</u>

See accompanying Notes to Financial Statements.

HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 116,234	\$ (39,650)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	231,908	221,512
Amortization of Loan Fees	314	314
Provision for Bad Debts	4,326	2,254
Net Realized and Unrealized (Gain) Loss on Investments	30,059	(16,575)
(Increase) Decrease in:		
Accounts Receivable	(39,202)	(4,142)
Prepaid Expenses	12,159	(9,623)
Escrow Accounts	(11,307)	(3,157)
Increase (Decrease) in:		
Accounts Payable	12,974	(1,081)
Accrued Expenses	5,854	1,004
Deferred Revenue	(1,200)	(3,200)
Net Cash Provided by Operating Activities	362,119	147,656
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,332,123)	(1,108,094)
Proceeds From Sale of Investments, Net	1,103,193	99,739
Redemption of Certificates of Deposit	1,533	462,000
Purchase of Property and Equipment	(44,232)	(93,601)
Net Cash Used by Investing Activities	(271,629)	(639,956)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(8,250)	(358,250)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	82,240	(850,550)
Cash and Cash Equivalents - Beginning of Year	57,441	907,991
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 139,681	\$ 57,441
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ -	\$ 3,317

See accompanying Notes to Financial Statements.

HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Housing Opportunities and Maintenance for the Elderly, Inc. (the Organization) is a nonprofit that helps Chicago's low-income seniors to live independent and socially engaged lives. Founded in 1982, the Organization owns and manages three affordable, intergenerational apartment buildings, helps low-income seniors in Chicago maintain their independence by providing a home upkeep and repair service, shopping bus, moving assistance, and caring volunteers.

Facilities

The Organization rents its business office under a long-term lease at 1419 W. Carroll Avenue, Floor 2, Chicago, IL 60607.

The Organization owns, manages, and maintains three affordable buildings on the north side of Chicago dedicated to intergenerational living: Pat Crowley House, 1537 W. Rosemont Ave., Chicago (1983); Nathalie Salmon House, 7320 N. Sheridan Rd., Chicago (1994); and Blackhawk Manor, 4959 W. Medill, Chicago (2004). These buildings offer rental housing opportunities as follows:

- Private Apartments: Nathalie Salmon House and Blackhawk Manor offer a total of 35 apartments for seniors and 5 apartments for families with children.
- Good Life Senior Residences: Pat Crowley House and Nathalie Salmon House offer a total of 27 seniors the opportunity to live in community, sharing meals together family-style while having their own rooms with a private or shared bath. The buildings accommodate 10 Resident Assistants (including two in studios at Nathalie Salmon House) who help with housekeeping and laundry, as well as share creative and social activities with the older adults. Pat Crowley House includes one family with children as well.

Presentation of Financial Statements

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

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. These also include net assets subject to designations that may be imposed or removed at the discretion of the Organization's board of directors (board).

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or by the passage of time. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of September 30, 2019 and 2018, the Organization has no resources with perpetual restrictions.

HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all short-term investments with an initial maturity of less than three months to be cash equivalents. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in the bank may exceed FDIC insurable limits.

Certificates of Deposit

Certificates of Deposit consist of certificates with an initial maturity of more than three months and are recorded at cost, which approximates fair value.

Investments

Investments are carried at fair value which generally represents quoted market price as of the last business day of the fiscal year. Realized and unrealized gains and losses are reflected in the statement of activities. The Organization's investments in overlay portfolios are valued by using the net asset value (NAV) per share (or its equivalent), as a practical expedient.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual receivables from rents, contracts, and others. As of September 30, 2019 and 2018, an allowance for uncollectible amounts was not considered necessary.

Contributions

Contributions are recognized when the donor makes a gift to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Property, Equipment, and Depreciation

The Organization capitalizes all expenditures for property and equipment costing \$1,000 or more that have an estimated useful life of more than one year. All property and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets as follows:

Equipment and Vehicles	3 to 7 Years
Furniture and Fixtures	3 to 10 Years
Buildings and Improvements	10 to 40 Years

HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell.

Loan Fees

Loan fees are amortized over the term of the mortgage loan using the straight-line method. Accumulated amortization at September 30, 2019 and 2018 was \$3,455 and \$3,141, respectively.

Donated Services, Materials, and Supplies

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Donated materials and supplies are recorded at fair market value. For the years ended September 30, 2019 and 2018, the Organization received \$159,168 and \$172,992, respectively, in donated services, materials, or supplies.

Functional Expense Allocation

Functional expenses have been allocated between program services, management and general, and fundraising based on an analysis of personnel time and space utilized for the related activities. Those expenses subject to allocation include employee salaries, occupancy, utilities, supplies, and miscellaneous other expenses.

Board-Designated Net Assets

The board has designated a portion of net assets in 2019 and 2018 as a Special Projects Reserve designed to cover costs of special projects that could not be financed from normal sources of revenue and as a Building Reserve designated for improving and replacing capital equipment and other facilities improvements. All remaining excess funds are allocated to the designated investment fund. These designations are at the board's discretion and all or any part of these designations may be re-designated for the general purpose of the Organization.

HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Organization is a nonprofit organization exempt from paying corporate federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). It has been classified as an organization that is not a private foundation under the IRC and charitable contributions by donors are tax deductible.

The Organization has evaluated its tax positions and determined it has no uncertain tax positions for the years ended September 30, 2019 and 2018.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Standard

In the year ended September 30, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit entities (Topic 958): Presentation of Financial statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes to the financial statements about a nonprofit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, composition of net assets with donor restrictions, liquidity, and expenses by both their natural and functional classifications. The ASU has been applied retrospectively to all periods presented, except for the presentation of the liquidity disclosure for the year ended September 30, 2018. Adoption of the ASU resulted in no changes to the total previously reported net assets.

HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Accounting Pronouncements

Revenue Recognition

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. Amendments defer the effective date of ASU No. 2014-09, clarify the implementation guidance on principal versus agent considerations, and clarify the identification of performance obligations and the licensing implementation guidance. Topic 606 (as amended) will be effective for the Organization for fiscal year 2021. Early adoption is permitted. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. Management is currently assessing the effect that Topic 606 (as amended) will have on its results of operations, financial position, and cash flows.

Clarifying Scope and the Accounting Guidance for Contributions

In June 2018, the FASB issued amended guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This amended guidance distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in Subtopic 958-605, *Not-for-Profit Entities – Revenue Recognition*, should be followed. For exchange transactions, Topic 606, *Revenue from Contracts with Customers*, should be followed. In addition, once a transaction is deemed to be a contribution, this amended guidance assists in determining whether a contribution is conditional or unconditional and, if unconditional, whether the transaction is donor restricted for a limited purpose or timing. The guidance should be applied on a modified prospective basis. As a resource recipient, the guidance will be effective for the Organization for fiscal year 2020.

Leases

In February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842) that amends the treatment for leases. The new accounting model for leases capitalizes all leases greater than 12 months, both capital and operating, as assets and liabilities on the statement of financial position. Topic 842 will be effective for the Organization for fiscal year 2023. Early adoption is permitted. Management is currently evaluating the impact of ASU No. 2016-02 on the Organization's financial statements.

HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity

At September 30, 2019, the Organization has \$2,163,234 and \$1,809,089 of financial assets available within one year of the 2019 and 2018 statement of financial position date, respectively. The Organization's financial assets consists of cash and cash equivalents of \$139,681 and \$57,441 and receivables of \$110,493 and \$75,617 as of September 30, 2019 and 2018, respectively. Additionally, the Organization has board designated reserves of \$1,924,752 and \$1,725,881 which are sufficient to meet general expenditures within one year of the 2019 and 2018 statement of financial position date, respectively. The Organization's policy requires board approval for the use of these reserves. These reserve funds are held in money market and equity investment accounts and may be withdrawn at any time. The Organization does not currently have a formal policy as to how liquidity is managed. \$11,692 and \$49,850 of these financial assets as of September 30, 2019 and 2018, respectively, are subject to donor or other contractual restrictions.

NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework of accounting principles generally accepted in the United States of America. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The measurement framework defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of assets and liabilities measured on a recurring basis at September 30, 2019 are as follows:

September 30, 2019	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments:				
Exchange Traded Funds	\$ 378,629	\$ 378,629	\$ -	\$ -
Mutual Funds:				
Large Blend	180,003	180,003	-	-
Large Value	52,329	52,329	-	-
Large Growth	39,617	39,617	-	-
Mid-Term Bond	172,710	172,710	-	-
Mid-Growth	30,404	30,404	-	-
Small Value	32,930	32,930	-	-
Emerging Market	30,441	30,441	-	-
World Bond	160,909	160,909	-	-
Total Assets	\$ 1,077,972	\$ 1,077,972	\$ -	\$ -
Money Market Funds	387,894			
Total	\$ 1,465,866			

Fair values of assets and liabilities measured on a recurring basis at September 30, 2018 are as follows:

September 30, 2018	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments:				
Exchange Traded Funds	\$ 442,775	\$ 442,775	\$ -	\$ -
Mutual Funds:				
Mid-Term Bond	378,730	378,730	-	-
Small Blend	46,795	46,795	-	-
Large Blend	224,884	224,884	-	-
Mid Growth	30,980	30,980	-	-
World Bond	154,221	154,221	-	-
Total Assets	\$ 1,278,385	\$ 1,278,385	\$ -	\$ -

Fair value for Level 1 investments include investments in mutual and other exchange traded funds, which are listed on a national market or exchange, and are valued at the last sales price, or if there is no sale and the markets are still considered active, at the last transaction price before year-end.

HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Additionally, the Organization utilizes the net asset value (NAV) per share, or its equivalent for valuing certain investments in open-end funds that do not have readily determinable fair values. NAV, in many instances, may not equal fair value. Therefore, these investments measured at fair value using NAV as a practical expedient have not been categorized in the fair value hierarchy. These investments total \$458,886 and \$447,496 as of September 30, 2019 and 2018, respectively.

Investments in Entities that Calculate Net Asset Value Per Share

The Organization holds shares or interests in investment companies at year-end whereby the fair value of the investment held is estimated based on the NAV per share (or its equivalent) of the investment company.

At year-end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	September 30, 2019 and 2018				
	NAV		Unfunded Commitments	Redemption Frequency, if	Redemption Notice Period
	2019	2018		Eligible	
Overlay Portfolios	\$ 458,886	\$ 447,496	\$ -	Daily	Immediately

The overlay portfolio classes includes investments in publicly-traded equities, fixed income, and commodities. The fair values of the investments in this class have been estimated using the NAV per share of the investments.

NOTE 3 INVESTMENTS

Investments as of September 30, 2019 are as follows:

September 30, 2019	Cost	Market	Appreciation (Depreciation)
Investments:			
Money Market Funds	\$ 387,894	\$ 387,894	\$ -
Exchange Traded Funds	357,734	378,629	20,895
Mutual Funds:			
Large Blend	182,296	180,003	(2,293)
Large Value	52,775	52,329	(446)
Large Growth	39,545	39,617	72
Mid-Term Bond	166,866	172,710	5,844
Mid-Growth	32,930	30,404	(2,526)
Small Value	32,930	32,930	-
Emerging Market	31,994	30,441	(1,553)
Open-End Fund	455,019	458,886	3,867
World Bond	154,903	160,909	6,006
Total Assets	\$ 1,894,886	\$ 1,924,752	\$ 29,866

HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 3 INVESTMENTS (CONTINUED)

Investments as of September 30, 2018 are as follows:

<u>September 30, 2018</u>	<u>Cost</u>	<u>Market</u>	<u>Appreciation (Depreciation)</u>
Investments:			
Exchange Traded Funds	\$ 381,537	\$ 442,775	\$ 61,238
Mutual Funds:			
Mid-Term Bond	157,982	378,730	220,748
Small Blend	43,506	46,795	3,289
Large Blend	218,580	224,884	6,304
Mid-Growth	29,651	30,980	1,329
Open-End Fund	427,015	447,496	20,481
World Bond	156,877	154,221	(2,656)
Total Assets	<u>\$ 1,415,148</u>	<u>\$ 1,725,881</u>	<u>\$ 310,733</u>

Investment income is summarized as follows:

	<u>2019</u>	<u>2018</u>
Interest and Dividends, Net of Fees	\$ 38,926	\$ 21,845
Realized and Unrealized Gains (Losses)	(30,059)	16,575
Investment Income from Portfolio	8,867	38,420
Other Interest Income	14,454	19,311
Total Investment Income	<u>\$ 23,321</u>	<u>\$ 57,731</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 676,828	\$ 676,828
Buildings and Improvements	5,980,071	5,980,071
Furniture and Fixtures	373,805	373,805
Equipment and Automobiles	877,224	830,404
Construction in Progress	-	2,588
Total	<u>7,907,928</u>	<u>7,863,696</u>
Less: Accumulated Depreciation	(4,106,140)	(3,874,232)
Property and Equipment, Net	<u>\$ 3,801,788</u>	<u>\$ 3,989,464</u>

HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 ESCROW ACCOUNTS

Escrow accounts at September 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Resources for Repair and Maintenance	\$ 21,708	\$ 18,909
Insurance Escrow	23,717	15,298
Real Estate Tax Escrow	4,310	4,221
Total	<u>\$ 49,735</u>	<u>\$ 38,428</u>

The Organization makes monthly deposits into the insurance and repairs and maintenance escrow accounts.

NOTE 6 DEFERRED REVENUE

During 2006, the Organization received a grant for \$48,000 for the construction and rehabilitation of Blackhawk Manor for the Affordable Housing Program (AHP). The Organization's liability is reduced annually over a period of 15 years based on a pro rata share of the grant provided that no defaults occur under the grant agreement. Should a default occur under the agreement, the Organization is liable for the remaining portion of the grant.

Deferred revenue consisted of \$2,000 and \$3,200 from AHP at September 30, 2019 and 2018, respectively.

NOTE 7 NOTES PAYABLE

Notes payable as of September 30, 2019 and 2018 consisted of the following:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Interest-free note payable to the city of Chicago, single payment, maturing on May 12, 2033, collateralized by a first mortgage on the related building and land.	\$ 2,518,854	\$ 2,518,854
Interest-free note payable to the Illinois Housing Development Authority, due in monthly payments of \$688, maturing in September of 2046, secured by the related land and buildings.	<u>223,437</u>	<u>231,687</u>
Total	2,742,291	2,750,541
Less: Current Portion	<u>(8,250)</u>	<u>(8,250)</u>
Long-Term Portion	<u>\$ 2,734,041</u>	<u>\$ 2,742,291</u>

HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 NOTES PAYABLE (CONTINUED)

Future scheduled maturities of long-term debt are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2020	\$ 8,250
2021	8,250
2022	8,250
2023	8,250
2024	8,250
Thereafter	2,701,041
Total	<u>\$ 2,742,291</u>

Interest expense was \$-0- and \$2,625 at September 30, 2019 and 2018, respectively. \$-0- and \$692 of interest incurred was capitalized as part of building construction during the years ended September 30, 2019 and 2018, respectively.

NOTE 8 NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following at September 30, 2019:

	<u>Beginning Balance</u>	<u>Increases/ (Decreases)</u>	<u>Uses of Board- Designated Funds</u>	<u>Transfers In (Out)</u>	<u>Ending Balance</u>
General, Undesignated	\$ 1,318,069	\$ (56,024)	\$ -	\$ -	\$ 1,262,045
Board-Designated Building Reserve	110,000	10,000	(18,540)	-	101,460
Board-Designated Special Projects Reserve	30,000	550	-	-	30,550
Board-Designated Investments	<u>1,585,881</u>	<u>292,180</u>	<u>(73,774)</u>	<u>-</u>	<u>1,804,287</u>
Total Net Assets Without Donor Restrictions	<u>\$ 1,458,069</u>	<u>\$ (45,474)</u>	<u>\$ (92,314)</u>	<u>\$ -</u>	<u>\$ 3,198,342</u>

Net assets without donor restrictions consisted of the following at September 30, 2018:

	<u>Beginning Balance</u>	<u>Increases/ (Decreases)</u>	<u>Uses of Board- Designated Funds</u>	<u>Transfers In (Out)</u>	<u>Ending Balance</u>
General, Undesignated	\$ 1,057,441	\$ 260,628	\$ -	\$ -	\$ 1,318,069
Board-Designated Building Reserve	288,903	-	(410,547)	231,644	110,000
Board-Designated Special Projects Reserve	1,735,107	-	(20,000)	(1,685,107)	30,000
Board-Designated Investments	<u>-</u>	<u>132,418</u>	<u>-</u>	<u>1,453,463</u>	<u>1,585,881</u>
Total Net Assets Without Donor Restrictions	<u>\$ 3,081,451</u>	<u>\$ 393,046</u>	<u>\$ (430,547)</u>	<u>\$ -</u>	<u>\$ 3,043,950</u>

HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at September 30:

	<u>2019</u>	<u>2018</u>
Vehicle Capital Campaign	\$ 6,180	\$ 5,850
Parmelee Grant for Housing Fuel and Gas	4,743	-
Million Dollar Round Table Grant for Outing	769	-
North Shore Exchange Grant for Moving Program	-	44,000
Total	<u>\$ 11,692</u>	<u>\$ 49,850</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended September 30:

	<u>2019</u>	<u>2018</u>
Vehicle Capital Campaign	\$ -	\$ 3,000
RRF Grant for Moving Program	-	30,000
North Shore Exchange Grant for Moving Program	44,000	-
Total	<u>\$ 44,000</u>	<u>\$ 33,000</u>

NOTE 10 OPERATING LEASE COMMITMENT

The Organization is committed under a lease agreement for office space through July 2023. The lease provides for a base monthly rental plus a percentage of the property taxes based on the Organization's proportionate share of the lease space. Rent expense was \$45,369 and \$38,643 for the years ended September 30, 2019 and 2018, respectively. Future minimum payments on the lease are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2020	\$ 42,292
2021	43,742
2022	45,192
2023	38,667
Total	<u>\$ 169,893</u>

NOTE 11 RETIREMENT PLAN

The Organization has a contributory, defined contribution retirement plan covering full-time employees who have met certain requirements as to length of service. Annual contributions to the plan are made at the discretion of the board. Total retirement plan expense for the years ended September 30, 2019 and 2018 was \$12,288 and \$13,222, respectively.

HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.
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NOTE 12 RELATED PARTY TRANSACTIONS

At September 30, 2019 and 2018, the Organization received \$30,083 and \$25,737, respectively, in individual contributions from its board members.

NOTE 13 SUBSEQUENT EVENTS

We have evaluated subsequent events through August 6, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, a pandemic of the Corona Virus (COVID-19) was declared by the World Health Organization. The impact on revenues and expenses for Housing Opportunities and Maintenance for the Elderly, Inc.'s future programmatic events and general operations are uncertain at this time. In addition, both domestic and international equity markets have experienced significant declines since September 30, 2019. Management believes Housing Opportunities and Maintenance for the Elderly, Inc. is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

Subsequent to year-end, the Organization received a loan in the amount of \$180,200 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

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