HOME HEADQUARTERS, INC. AND AFFILIATES

Consolidated Financial Statements and
Supplementary Information
April 30, 2019 and 2018
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

HOME HEADQUARTERS, INC. AND AFFILIATES

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Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

September 25, 2019

To the Boards of Directors of
Home Headquarters, Inc. and Affiliates:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Home Headquarters, Inc. (a nonprofit Corporation) and Affiliates, which comprise the consolidated statement of financial position as of April 30, 2019 and 2018, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Home Headquarters, Inc. (a nonprofit Corporation) and Affiliates as of April 30, 2019 and 2018, and the change in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle
As described in Note 2 to the financial statements, Home Headquarters, Inc. and Affiliates implemented Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, and the effects have been included in these consolidated financial statements. Our opinion is not modified with respect to this matter.

Report on Supplemental Information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 2019 supplementary information included on pages 23 and 25 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 2019 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The 2018 supplementary information included on pages 24 and 26 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 2018 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of those consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared 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 2018 supplementary information is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019 on our consideration of Home Headquarters, Inc. and Affiliates' 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 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 Home Headquarters, Inc. and Affiliates' internal control over financial reporting and compliance.

Bonadio & Co., LLP

HOME HEADQUARTERS, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
APRIL 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,783,080	$ 6,351,282
Accounts receivable	3,019,945	3,502,779
Loans receivable, net of allowance for loan losses of $1,366,041 and $1,221,748 in 2019 and 2018, respectively	3,018,990	4,116,493
Assets limited to use - current portion	791,928	775,138
Properties held for resale	687,690	827,763
Properties held for redevelopment - current portion	3,042,199	-
Prepaid expense and other assets	164,284	165,400
Total current assets	17,508,116	15,738,855
NON-CURRENT ASSETS:		
Certificates of deposit	685,012	674,229
Deposits held in trust	55,777	42,347
Assets limited to use, net - long-term portion	2,147,665	2,747,742
Investment in other entities	500	(4,544)
Loans receivable, net - long-term portion	28,473,133	21,616,432
Notes receivable	100,000	100,000
Properties held for redevelopment - long-term portion	888,503	3,372,541
Property and equipment, net	3,599,473	3,972,323
Total non-current assets	35,950,063	32,521,070
Total assets	$ 53,458,179	$ 48,259,925
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 567,774	$ 479,561
Deferred income - current portion	869,352	777,513
Escrow payable	2,326,164	2,355,093
Line of credit	-	666,667
Notes and mortgages payable - current portion	758,572	483,566
Total current liabilities	4,521,862	4,762,400
NON-CURRENT LIABILITIES:		
Tenant security deposits	44,662	32,130
Deferred income - long-term portion	1,685,304	1,193,805
Liability for Home Value Protection Program	700,000	700,000
Notes and mortgages payable - long-term portion	5,110,124	3,189,082
Total non-current liabilities	7,540,090	5,115,017
Total liabilities	12,061,952	9,877,417
NET ASSETS:		
Without donor restrictions	30,669,790	28,587,571
With donor restrictions	10,726,437	9,794,937
Total net assets	41,396,227	38,382,508
Total liabilities and net assets	$ 53,458,179	$ 48,259,925

The accompanying notes are an integral part of these statements.

HOME HEADQUARTERS, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR YEARS ENDED APRIL 30, 2019 AND 2018

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Program revenue:		
Lending and finance products	$ 5,347,563	$ 5,169,533
Real estate development, net	3,267,008	852,771
Grant revenue and contributions	926,443	1,306,309
Commission income	159,787	50,749
Contract service provided revenue	2,717,744	1,615,618
Counseling fees	125,575	106,000
Homebuyer education	40,625	26,006
Rental revenue	361,853	373,440
Property management and maintenance fees	47,785	43,621
Servicing revenue	32,217	12,396
Other program revenue	6,094	6,416
Net assets released from restrictions	630,000	900,000
Total program revenue	13,662,694	10,462,859
Operating revenue:		
Fee revenue	726,404	601,272
Grants and contributions	1,296,016	1,321,058
Shared service revenue	45,796	1,600
Loan interest income	1,382,862	951,772
Other income	214,294	206,222
Total operating revenue	3,665,372	3,081,924
Total revenues	17,328,066	13,544,783
Operating expenses:		
Program expenses	14,796,105	10,872,838
Operating and administrative expenses	505,490	368,855
Fundraising expenses	19,191	34,808
Total operating expenses	15,320,786	11,276,501
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE UNREALIZED GAIN (LOSS)	2,007,280	2,268,282
Unrealized gain (loss) on investment	74,939	(60,573)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2,082,219	2,207,709
NET ASSETS WITH DONOR RESTRICTIONS:		
Lending and finance products	1,561,500	-
Net assets released from restriction	(630,000)	(900,000)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	931,500	(900,000)
CHANGE IN NET ASSETS	3,013,719	1,307,709
NET ASSETS - beginning of year	38,382,508	37,074,799
NET ASSETS - end of year	$ 41,396,227	$ 38,382,508

The accompanying notes are an integral part of these statements.

HOME HEADQUARTERS, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED APRIL 30, 2019

	Program Expense	Operating and Administrative Expense	Fundraising Expense	Total
Grant expenses	$ 4,126,615	$ -	$ -	$ 4,126,615
Rehab and acquisition expense	3,416,958	-	-	3,416,958
Salaries, fringes and payroll taxes	3,103,991	337,431	-	3,441,422
Bad debt expense	304,120	-	-	304,120
Contract service provided expense	2,022,650	(38,413)	-	1,984,237
Depreciation	315,104	21,634	-	336,738
Insurance	357,063	15,216	-	372,279
Rent and utilities	307,486	16,369	-	323,855
Professional fees	85,498	36,032	-	121,530
Computer and equipment services	110,586	15,080	-	125,666
Property management and maintenance	282,737	-	-	282,737
Warranty expense	46,758	-	-	46,758
Conferences, training and travel	32,433	16,828	-	49,261
Office equipment and supplies	50,166	22,116	-	72,282
Equipment rental and maintenance	16,806	2,292	-	19,098
Fundraising and events	-	-	19,191	19,191
Printing and postage	19,165	1,821	-	20,986
Bank charges and loan fees	6,695	5,166	-	11,861
Credit reports	28,688	150	-	28,838
Advertising and marketing	22,421	-	-	22,421
Dues and publications	12,630	7,773	-	20,403
Miscellaneous	65,478	18,910	-	84,388
Interest	62,058	-	-	62,058
Cyber security	-	27,085	-	27,085
Total expenses	$ 14,796,105	$ 505,490	$ 19,191	$ 15,320,786

The accompanying notes are an integral part of these statements.

HOME HEADQUARTERS, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED APRIL 30, 2018

	Program Expense	Operating and Administrative Expense	Fundraising Expense	Total
Grant expenses	$ 4,089,583	$ -	$ -	$ 4,089,583
Rehab and acquisition expense	911,223	-	-	911,223
Salaries, fringes and payroll taxes	2,793,984	249,282	-	3,043,266
Bad debt expense	362,272	-	-	362,272
Contract service provided expense	1,108,642	9,174	-	1,117,817
Depreciation	328,295	20,172	-	348,467
Insurance	380,793	10,966	-	391,758
Other grant expenses	-	852	-	852
Rent and utilities	329,153	11,530	-	340,683
Professional fees	85,112	6,548	-	91,660
Computer and equipment services	71,238	7,045	-	78,283
Property management and maintenance	170,857	-	-	170,857
Warranty expense	1,290	-	-	1,290
Conferences, training and travel	31,682	8,922	-	40,604
Office equipment and supplies	83,140	8,269	-	91,409
Equipment rental and maintenance	16,634	1,645	-	18,279
Fundraising and events	-	-	34,808	34,808
Printing and postage	18,520	1,237	-	19,757
Bank charges and loan fees	4,568	478	-	5,046
Credit reports	18,500	-	-	18,500
Filing and rating fees	-	4,625	-	4,625
Advertising and marketing	8,771	2,094	-	10,865
Dues and publications	5,617	12,140	-	17,757
Miscellaneous	33,762	13,875	-	47,637
Interest	19,203	-	-	19,203
Total expenses	$ 10,872,838	$ 368,855	$ 34,808	$ 11,276,501

The accompanying notes are an integral part of these statements.

HOME HEADQUARTERS, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30, 2019 AND 2018

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 3,013,719	$ 1,307,709
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation expense	336,738	348,467
Unrealized (gain) loss on investment	(74,939)	60,573
Provision for loan losses	304,120	362,272
Net grants with donor restrictions	630,000	900,000
Increase in allowance for loan losses	(144,293)	(198,999)
Gain on sale of property and equipment	(1,750)	-
Loss on sale of properties held for redevelopment	12,448	204,492
Changes in:		
Accounts receivable	482,834	(564,535)
Investment in other entities	(5,044)	(2,989)
Prepaid expenses and other assets	1,116	15,305
Accounts payable and accrued expenses	88,213	78,622
Escrow payable	(28,929)	1,025,648
Tenant security deposits	12,532	9,527
Deferred income	583,338	422,804
Net cash flow from operating activities	5,210,103	3,968,895
CASH FLOW FROM INVESTING ACTIVITIES:		
Changes in assets limited to use	583,287	(404,999)
Changes in deposits held in trust	(13,430)	(19,744)
Proceeds on sales of loans receivable	(217,897)	-
Issuance of loans	(12,723,802)	(9,424,043)
Repayment of loans	7,022,674	5,060,396
Change in certificates of deposit	64,153	(64,869)
Purchase of property and equipment	(141,497)	(457,105)
Sales of properties held for resale	876,444	440,832
Additions to properties held for resale	(736,371)	(827,763)
Purchases of properties held for redevelopment	(13,031,885)	(9,345,673)
Sales of properties held for redevelopment	12,640,638	7,871,116
Net cash flow from investing activities	(5,677,686)	(7,171,852)
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from grants with donor restrictions	(630,000)	(900,000)
Proceeds from line of credit	-	1,000,000
Payments on line of credit	(666,667)	(333,333)
Proceeds on notes and mortgages payable	2,746,000	3,000,000
Payments on notes and mortgages payable	(549,952)	(127,746)
Net cash flow from financing activities	899,381	2,638,921
CHANGE IN CASH AND CASH EQUIVALENTS	431,798	(564,036)
CASH AND CASH EQUIVALENTS - beginning of year	6,351,282	6,915,318
CASH AND CASH EQUIVALENTS - end of year	$ 6,783,080	$ 6,351,282
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 62,058	$ 19,203

The accompanying notes are an integral part of these statements.

1. ORGANIZATIONS

Home Headquarters, Inc. (HHQ) and affiliates are a consolidated group of organizations formed to provide a wide range of housing services. Services include lending and finance products, real estate development and counseling services.

HHQ is a New York not-for-profit corporation formed to improve the quality of housing and neighborhoods throughout Syracuse, Central and Upstate New York. The mission is accomplished by providing: 1. Affordable loans for home owners, investors and businesses, primarily where low- and moderate- income people or distressed neighborhoods are the beneficiaries; helping those people and geographies that have been traditionally underserved. 2. Real estate development projects that improve neighborhoods, foster home ownership or provide affordable housing. 3. Home ownership, post-purchase and financial literacy counseling services so that consumers can make informed decisions and are less susceptible to predatory practices and financial products.

Opportunity Headquarters, Inc. (OHQ) is a New York not-for-profit corporation formed to operate a construction crew that performs work on and revitalizes properties primarily in low and moderate-income neighborhood or primarily for low and moderate-income beneficiaries. The entity also provides services that support the community at large with activities such as providing opportunities for Minority and Women Business enterprises, advancing green and sustainable building practices and supporting job training efforts.

Equity Headquarters, Inc. (EHQ) is a New York not-for-profit corporation formed for the purpose of operating an innovative Home Value Protection Program which sought to stabilize housing prices in troubled neighborhoods in the City of Syracuse.

CNY Affordable Realty, Inc. (CNYAR) is a New York not-for-profit formed to assist first-time homebuyers and promote neighborhood revitalization efforts.

The Home Ownership Center at Home Headquarters, Inc. (HOC) is a New York not-for-profit corporation formed to provide homebuyer counseling to prospective first-time homebuyers in order to prepare them for the benefits, costs and responsibilities of home ownership; to provide individual and group counseling services to increase knowledge of personal finance management for individuals and families seeking assistance; to provide on-going support services through pre- and post- purchase counseling; to assist individuals and families who may be at risk for foreclosure with housing counseling services; to develop and support programs that promote responsible and sustainable home-ownership and the public and quasi-public objective of this purpose is to assist low income individuals and families to purchase and remain in their homes.

Cayuga Developments, Inc. (CDI), Cayuga County Homsite Development Corporation (CCHDC), Homsite Fund, Inc. (HFI) and Homsite Holding Company, Inc. (HHC) are New York not-for-profit corporations formed to help the underprivileged by providing affordable housing, rental assistance, rehabilitation services and counseling.

HHQ is the sole corporate member of OHQ, EHQ, CNYAR, HOC, CDI, CCHDC, HFI and HHC.

1. ORGANIZATIONS (Continued)

CNY Affordable Properties, Inc. (CNYAP) is a New York for-profit corporation formed to own and manage property within Syracuse and Central New York including, but not limited to, properties that are affordable to low and moderate income individuals. The properties are held in the short-term until an appropriate long-term strategy can be determined.

Advanced Energy Corporation, Inc. (Advanced) is a New York for-profit corporation formed to operate a construction crew that performs work on home improvement projects. Advanced is wholly owned by OHQ.

Superior Servicing HeadQuarters, LLC (Superior) is a New York limited liability company formed to service first mortgages originated by Home HeadQuarters or other nonprofit lenders, as well as loans extended by banks or credit unions to underserved areas for the purpose of community building. Superior contracts with customers to collect loan payments on their behalf, provide borrower with monthly notices, and notify customers and borrowers of delinquent payments in exchange for a loan servicing fee.

CNYAP and Superior are wholly owned by HHQ.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation
The accompanying consolidated financial statements include the accounts of HHQ, OHQ, EHQ, CNYAR, HOC, CDI, CCHDC, HFI, HHC, CNYAP, Advanced and Superior (collectively the Organizations). In accordance with generally accepted accounting principles, all significant intercompany transactions and balances have been eliminated.

Basis of Accounting
The consolidated financial statements of the Organizations are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Financial Reporting
The Organizations report their activities and the related net assets using the following categories:

- **Net Assets Without Donor Restrictions**
  Net assets without donor restrictions include resources that are available for the support of the Organizations operating activities. In addition, they include resources set aside by the Board of Directors for cash reserves and loan loss reserve purposes, over which the Board may at its discretion subsequently use for other purposes.

- **Net Assets With Donor Restrictions**
  Net assets with donor restrictions are those net assets whose use by the Organizations is limited by donor-imposed stipulations that do not expire, donor-imposed stipulations that expire by the passage of time, or donor-imposed stipulations that can be fulfilled or removed by actions of the Organizations pursuant to those stipulations.

Cash and Cash Equivalents
For purposes of these consolidated financial statements, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents. At times, the balances in these accounts may exceed federally insured limits. The Organizations have not experienced any losses in such accounts and believes they are not exposed to any significant credit risk with respect to cash and cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are stated at net realizable value. The Organizations consider accounts receivable to be fully collectible. If based on periodic evaluation collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received. No allowance was considered necessary at April 30, 2019 and 2018.

Loans Receivable

HHQ provides home improvement loans, first mortgage loans, down payment and closing cost loans, investor loans, commercial loans and interim financing partner loans. First mortgage loans typically hold a term of 25 years, home improvement loan terms vary between 5 to 10 years, investor loans are typically given with a term of 7 to 10 years or less and interim financing partner loan terms vary by project. Details of loans, by class, are included in Note 4. A substantial portion of the loan portfolio is provided in the Central New York area. The ability of borrowers to honor their contracts is dependent upon the real estate and general economic conditions in HHQ's market area.

Loans are reported at their outstanding unpaid principal balances, net of an allowance for loan losses and any deferred fees or costs. Interest income is not accrued on the unpaid principal balances and the amounts are considered immaterial to the financial statements. Loan origination fees are received at closing. Interest rates charged on outstanding loans ranged from 1.00% to 7.49% for both years ended April 30, 2019 and 2018. The loans are secured by the borrowers' primary residence.

Loans over 30 days past due are considered delinquent. Management evaluates collectability of loans quarterly. Delinquent loans over 180 days past due are presented to the Business & Finance Committee and recommended to be charged off. Management reserves the right to make the determination if the loan should be forwarded to an outside collection agency or not. Bad debt expense for the years ended April 30, 2019 and 2018 was $304,120 and $358,560, respectively.

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of losses inherent in the loan receivable portfolio as of the date of the consolidated statements of financial position and is recorded as a reduction to loans. The allowance for loan losses is increased by the provision for loan losses and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable is charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is considered highly unlikely.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance. The allowance is based on the HHQ's past loan loss experience, past delinquency rates and subsequent recoveries. Other factors include known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses (Continued)
The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as impaired. For loans that are considered impaired, an allowance is established for the carrying value of the loan. The general component covers pools of loans by loan class that are not impaired. This component represents the losses anticipated by management based on historical loss experience. The unallocated component represents an evaluation of loss exposure based upon qualitative risk factors applied to various aspects of the overall loan portfolio. Qualitative risk factors include: trends of past due loans, national, regional, and local economic and business conditions and the effects on the value of underlying collateral.

A loan is considered impaired when, based on current information and events, it is probable that HHQ will be unable to collect the scheduled payments. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled payments. Loans that experience payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment.

HHQ does not routinely restructure loans in the normal course of business.

The allowance calculation methodology includes further segregation of loan classes into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors and value of the collateral, if appropriate, are evaluated annually or when credit deficiencies arise. Credit quality risk ratings include classifications of loans as substandard, doubtful and loss. Loans classified as substandard may be inadequately protected by current worth or the paying capacity of the obligor. Substandard loans have also had past delinquencies. Loans classified as doubtful have all the weaknesses inherent in loans classified as substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Additional criteria HHQ considers for loans classified as doubtful are loans past due 60-90 days and loans for which the customer does not communicate with HHQ. Loans classified as a loss are considered uncollectible as the loan is past due 90-120 days or more and loans for which the customer has not made any payments within the last 6 months. These loans are then considered in the calculation of the allowance for loan losses. Loans that are not classified are rated as pass.

Assets Limited as to Use
Assets limited as to use are limited by actions of the Board and funders. Assets include amounts set aside for building replacement, property insurance and other required deposits. Withdrawals from these accounts require approval from the funder. These assets consist of bank demand deposits, money market accounts, and certificates of deposits stated at cost which at times, may exceed federally insured limits. The Organizations have not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to assets limited to use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties Held for Resale

HHQ has properties held for resale which have been rehabbed by the Organizations and are available to low to moderate income buyers for purchase. The value of properties held for resale include dollars HHQ will receive from funders for rehabilitation costs incurred. In many cases the subsidy attached to the property is not disbursed until the date of the closing or after the property is sold. Amounts expected to be received from buyers and subsidies are expected to exceed cost.

Prepaid Expense and Other Assets

Prepaid expense and other assets consist primarily of prepaid insurance and prepaid rent.

Certificates of Deposit

Certificates of deposit have maturities extending beyond a three month period from the date of the purchase and/or are due one year or more from the date of the consolidated statements of financial position. The Organizations report certificates of deposit at cost plus accrued interest. Accrued interest is recognized on the consolidated statement of activities and change in net assets as unrealized gain (loss) on investment.

Deposits Held in Trust

These amounts represent funds held with the Organizations on behalf of tenants. These funds are held in separate interest bearing bank demand deposit accounts with the corresponding liability to the tenants reflected on the consolidated statements of financial position. The Organizations have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk with respect to deposits held in trust.

Properties Held for Redevelopment

Properties held for redevelopment consists of properties purchased by the Organizations. The Organizations intend to rehabilitate or demolish the properties with the intent to sell. Additionally, the Organizations may decide to keep a property in its' internal portfolio for rental purposes at which time the property cost is reclassified to property and equipment. Since properties are held with the intent to sell, no depreciation is recorded. Loss on sales of properties held for redevelopment was $25,526 and $204,492 for the years ended April 30, 2019 and 2018, respectively. Loss on sales of properties held for redevelopment is recognized on the consolidated statements of activities and change in net assets as a charge to real estate development program revenue.

Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment are recorded at fair value on the date of donation. All the Organizations capitalize all expenditures for property and equipment in excess of $1,000 except for HHQ who capitalizes all expenditures for property and equipment in excess of $10,000. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for repairs and maintenance not considered to substantially lengthen property lives are charged to expense as incurred. Depreciation expense for the years ended April 30, 2019 and 2018 was $336,738 and $348,467, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Escrow Payable

Escrow payable represents amounts held by the Organizations on behalf of borrowers and grantees. This money is held on behalf of borrowers and those receiving grants for home improvement loans. Escrow payable is reduced as the money is released to pay contractors on behalf of the borrower. Escrow payable amounted to $2,326,164 and $2,355,093 for the years ended April 30, 2019 and 2018, respectively.

Deferred Income

Deferred income consists of grant revenue, revenue on property sales and loan repayment income; all of which has been received but not earned.

Revenue Recognition

Contribution revenue that is 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 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

The Organizations receive grants to assist in carrying out its programs including, lending and finance products, real estate development, and homebuyer education from federal, state, and local government agencies and other organizations. Grant revenue is recognized as eligible expenses are incurred and related services are provided.

Contract Service Provided Revenue

Contract service provided revenue is recognized when services are provided. These services relate charges for fees related to services performed by OHQ.

Rental Revenue

The Organizations recognize rental revenue for monthly rents from tenants who reside in facilities owned by the Organizations. Majority of tenants lease rooms on a month to month or annual basis.

Allocation of Certain Expenses

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. Those expenses include personnel and benefits, depreciation and occupancy related costs. Personnel and benefits are allocated based on time spent in the various programs. Depreciation and occupancy related costs are allocated on square footage used.

Income Tax Status

HHQ, OHQ, CNYAR, HOC, CCHDC and HFI are exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. They have been classified by the Internal Revenue Service as other than a private foundation.

EHQ is exempt from federal income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. EHQ has been classified by the Internal Revenue Service as a private foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status (Continued)

CDI is exempt from federal income taxes under section 501(c)(4) of the Internal Revenue Code.

HHC is exempt from federal income taxes under section 501(c)(2) of the Internal Revenue Code.

CNYAP and Advanced are for-profit "C" corporations. Income taxes for CNYAP and Advanced is calculated based on income for financial statement purposes.

Superior is a single member limited liability corporation and is a disregarded entity for federal income tax purposes.

Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the purpose of improving financial reporting by not-for-profit (NFP) entities. ASU 2016-14 changes the presentation and accounting for not-for-profit organizations' consolidated financial statements including:

- Reducing the number of classes of net assets from three to two (net assets with donor restrictions and net assets without donor restrictions);

- Requiring the presentation of expenses in both natural and functional classifications;

- Eliminating the requirement to disclose the components of investment return as well as reporting investment return net of external and direct internal investment expenses;

- Requiring qualitative and quantitative disclosure regarding an entity's liquidity and availability of resources.

ASU 2016-14 is effective for the Organizations year ending April 30, 2019 and was applied retrospectively with the exception of the disclosures regarding liquidity and availability of resources. The effects of this ASU have been included in these consolidated financial statements. There was no effect on total net assets or change in net assets.

Reclassifications

Certain reclassifications have been made to the 2018 consolidated financial statements to conform to the current year presentation. These reclassifications had no effect on change in net assets or net assets as originally stated.

3. LIQUIDITY

As part of the Organizations' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organizations ability to meet its cash needs is dependent on timely collection of accounts and loans receivable. In the event of an unanticipated liquidity need, HHQ could draw upon a $3,000,000 available line of credit (as further described in Note 9).

The Organizations' financial assets available within one year of the consolidated statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	$ 6,823,080
Accounts receivable	2,978,695
Loans receivable, net	31,492,123
Assets limited to use	2,939,593
Certificates of deposit	685,012
Deposits held in trust	55,777
Notes receivable	100,000
Total financial assets	45,074,280
Less those unavailable for general expenditures within one year due to:	
Assets limited as to use – long term portion	(2,147,665)
Certificates of deposit	(685,012)
Deposits held in trust	(55,777)
Notes receivable	(100,000)
Board designated loan programs	(13,648,662)
Restricted by donor for time or purpose or in perpetuity	(10,726,437)
Financial assets available to meet cash needs for general expenditures within one year	$ 17,710,727

4. CONCENTRATIONS

As of April 30, 2019 and 2018 the Organizations had approximately 53% and 31% of its receivable balance due from Community Development Block (CDBG) grants, and 26% and 33% from New York State, respectively.

During the years ended April 30, 2019 and 2018, the Organizations derived 21% and 18% of its revenues from CDBG grants, respectively.

5. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans receivable consist of the following at April 30:

	2019	2018
Residential home improvement	$ 7,820,862	$ 7,047,032
Down payment & closing cost	393,382	299,895
Residential first mortgages	19,114,907	15,762,843
Investor loans	2,366,808	1,555,498
Commercial loans	2,665,781	1,661,206
Community impact loans	52,885	55,298
Interim financing to other not-for-profit housing organizations	443,539	572,901
Total loans receivable	32,858,164	26,954,673
Allowance for loan losses	(1,366,041)	(1,221,748)
	$ 31,492,123	$ 25,732,925
Current	$ 3,018,990	$ 4,116,493
Long-term	$ 28,473,113	$ 21,616,432

The following tables present the classes of the loan portfolio summarized by past due status as of April 30:

	2019					
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Loans Receivable
Residential home improvement	$ 71,292	$ 24,257	$ 2,185	$ 97,734	$ 7,723,128	$ 7,820,862
Down payment & closing cost loans	15,764	-	1,745	17,509	375,873	393,382
Residential first mortgages	436,857	79,671	103,215	619,743	18,495,164	19,114,907
Investor loans	-	-	-	-	2,366,808	2,366,808
Commercial loans	-	-	-	-	2,665,781	2,665,781
Community impact loans	-	-	-	-	52,885	52,885
Interim financing to other not-for-profit housing organizations	-	-	-	-	443,539	443,539
	$ 523,913	$ 103,928	$ 107,145	$ 734,986	$ 32,123,078	$ 32,858,164

5. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (Continued)

	2018					
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Loans Receivable
Residential home improvement	$ 66,350	$ 21,033	$ 2,776	$ 90,159	$ 6,956,873	$ 7,047,032
Down payment & closing cost loans	1,752	853	-	2,605	297,290	299,895
Residential first mortgages	358,843	15,319	-	374,162	15,388,680	15,762,843
Investor loans	-	-	-	-	1,555,498	1,555,498
Commercial loans	-	-	-	-	1,661,206	1,661,206
Community impact loans	-	-	-	-	55,298	55,298
Interim financing to other not-for-profit housing organizations	-	-	-	-	572,901	572,901
	$ 426,945	$ 37,205	$ 2,776	$ 466,926	$26,487,746	$26,954,673

Loans individually and collectively evaluated for impairment is as follows at April 30:

	2019	2018
Amount of allowance for loan losses on loans collectively evaluated for impairment	$ 1,366,041	$ 1,221,748
Total allowance for loan losses	$ 1,366,041	$ 1,221,748
Loans individually evaluated for impairment	$ -	$ -
Loans collectively evaluated for impairment	32,858,164	26,954,673
Total loans	$ 32,858,164	$ 26,954,673

There are no loans on nonaccrual status as of April 30, 2019 and 2018.

Activity in the allowance for loan losses is summarized as follows:

	2019	2018
Balance at beginning of year	$ 1,221,748	$ 1,022,749
Additions to provisions for loan loss reserve	264,713	286,771
Recoveries of loans previously charged-off	(120,420)	(87,772)
Balance at end of year	$ 1,366,041	$ 1,221,748

Sales of Loans Receivable

During year ended April 30, 2019, HHQ sold loans with recourse totaling $2,657,084. Proceeds received from sales of such loans during the year totaled $217,897. Concurrently with the sales, HHQ entered into substitute collateral agreements that state that as a condition of the sale, HHQ agrees to substitute performing loans of equal or greater value for any loans sold that become in default. No loans were sold during the year ended April 30, 2018.

6. ASSETS LIMITED TO USE

Assets limited as to use are limited by actions of the Board and funders. These amounts are maintained in bank demand deposits, money market accounts, and certificates of deposit and are recorded at cost which approximates fair value. The composition of assets limited as to use consisted of the following at April 30:

	2019	2018
Board designated reserves	$ 2,675,656	$ 3,238,312
Replacement reserves	263,937	259,185
Restricted cash	-	25,383
	$ 2,939,593	$ 3,522,880

7. CERTIFICATES OF DEPOSIT

Certificates of deposit consisted of the following at April 30:

	2019	2018
Certificates of deposit	$ 685,012	$ 674,229

Interest income earned on certificates of deposits is summarized as follows and is included in loan and interest income on the consolidated statements of activities and changes in net assets.

	2019	2018
Interest income	$ 11,191	$ 10,514

8. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at April 30:

	2019	2018
Land	$ 258,732	$ 275,768
Automobiles (estimated life of 5 years)	142,119	88,060
Construction equipment (estimated life of 5 years)	10,281	10,281
Buildings and capital improvements (estimated life of 5-40 years)	4,666,940	4,734,939
Office furniture and equipment (estimated life of 3-7 years)	536,316	503,124
	5,614,388	5,612,172
Accumulated depreciation	(2,014,915)	(1,639,849)
Total	$ 3,599,473	$ 3,972,323

9. LINE OF CREDIT

HHQ has a $3,000,000 line of credit which can be advanced through November 30, 2019. As of April 30, 2019 and 2018, HHQ had no outstanding balance and $666,667 outstanding, respectively. The line of credit bears interest at 3.75% and matures in May 2024.

10. NOTES AND MORTGAGES PAYABLE

Obligations under notes and mortgages payable consist of the following at April 30:

	2019	2018
Note payable, due in quarterly installments of $8,929 through October 2024, non-interest bearing, unsecured	$ 196,429	$ 232,143
Note payable, due in quarterly installments of $28,016 through January 2025, interest at 1.25%, unsecured	620,832	724,274
Note payable, due in quarterly installments of $8,929 through March 2025, non-interest bearing, unsecured	214,286	250,000
Note payable, due in quarterly installments of $28,036 through March 2025, interest at 1.25%, unsecured	646,881	750,000
Note payable, due in quarterly installments of $8,929 through April 2025, non-interest bearing, unsecured	214,286	250,000
* Note payable, due in quarterly installments of $28,051 through April 2025, interest at 1.25%, unsecured	647,214	750,000
Note payable, due in one payment of $246,000 due April 2034, interest at 1.00%, unsecured	246,000	-
** Note payable, due in quarterly installments of $28,035 through August 2025, interest at 1.25%, unsecured	698,636	-
** Note payable, due in quarterly installments of $8,929 through August 2025, non-interest bearing, unsecured	232,143	-
Note payable, due in quarterly installments of $18,355 through December 2025, interest at 0.75%, unsecured	482,614	-
Note payable, due in quarterly installments of $18,340 through December 2025, interest at 0.75%, unsecured	482,213	-
Multiple disbursement term note up to $1,000,000, advances may be made until conversion date of August 2019. Monthly payments through August 2026, interest at 2.58%, unsecured	500,000	-

10. NOTES AND MORTGAGES PAYABLE (Continued)

	2019	2018
Mortgage payable, payments due when the property is sold, interest at 0%, collateralized by the property and equipment	50,000	50,000
Note payable, due in quarterly installments of $1,357 through April 2020, non-interest bearing, unsecured	4,069	9,497
Mortgage payable, due in monthly installments of $2,882 through March 2045, interest at 8.25%, collateralized by the property and equipment	633,093	656,734
	5,868,696	3,672,648
Less: Current portion	(758,572)	(483,566)
	$ 5,110,124	$ 3,189,082

The future scheduled maturities of long-term debt are as follows:

2020	$ 758,572
2021	755,861
2022	757,439
2023	759,036
2024	760,652
Thereafter	2,027,136
Mortgage not due unless property is sold	50,000
	$ 5,868,696

* The agreement with the lender contains covenants with which HHQ has agreed to comply. At April 30, 2019 and 2018, HHQ was in compliance with the covenants.

** The agreement with the lender lists the Organizations as borrowers and contains covenants with which the Organizations have agreed to comply. At April 30, 2019, the Organizations were in compliance with the covenants.

For the years ended April 30, 2019 and 2018, interest expense was $62,058 and $19,203, respectively.

Commitments and Contingencies
CDI operates a twenty-four unit low income housing project located in Cayuga, New York and began operations in October, 1990. The project was funded by New York State Housing Trust Fund Corporation (NYSHTFC) with initial funding of $1,377,631 which requires no repayment terms unless CDI does not follow the terms of the grant. NYSHTFC provides significant oversight and restrictions on the operation and use of operating funds and facilities. Restrictions are due to expire in October 2089.

11. OPERATING LEASES

The Organizations entered into a ten-year operating lease for office space commencing in July 2016. For the years ended April 30, 2019 and 2018 the monthly rent was $9,458. Rent expense for 2019 and 2018 was $113,500 and $115,300, respectively.

The minimum payments under these non-cancelable leases are as follows at April 30:

2020	$ 113,500
2021	113,500
2022	113,500
2023	113,500
2024	113,500
Thereafter	245,916
	$ 813,416

12. LIABILITY FOR HOME VALUE PROTECTION PROGRAM

The Home Value Protection (HVP) provides homeowners in the City of Syracuse with the opportunity to purchase protection against declines in the value of housing in their neighborhood.

EHQ was set up to manage the Home Value Protection Program. As of April 30, 2019 and 2018, EHQ had $700,000 in liability for the Home Value Protection Program.

The HVP program had 95 active policies issued under the program, with an average protected value of $67,778 per property. The total protected value across all policies is $6,000,000. Periodically, Home Headquarters, Inc. has an actuarial analysis performed to determine if EHQ has adequate reserves to cover the HVP program. Based on the latest analysis performed in October 2016, EHQ needed at least $700,000 in reserves to cover future claims. As of April 30, 2019 and 2018, EHQ had $923,247 and $936,594 in total assets available to cover future claims.

13. GRANTS

Home Headquarters, Inc. received grants from NeighborWorks America (NWA) as follows:

	2019	2018
Capital and expendable grant funds:		
NeighborWorks America	$ 464,983	$ 440,337
With donor restrictions- Grants:		
NeighborWorks America, Neighborhood Reinvestment Home Ownership and Improvement Total Award	$ -	$ 689,444
Without donor restrictions- Grants:		
NeighborWorks America, Neighborhood Reinvestment HUD Housing Counseling Total Award	$ 21,021	$ 24,000

14. RECONCILIATIONS OF NWA CAPITAL FUNDS

NeighborWorks America (NWA) capital funds are required to be maintained in a net asset with donor restriction classification. A reconciliation of the net assets at April 30, 2019 and 2018 is as follows:

	2019	2018
Total NWA net assets beginning of year	$ 2,100,001	$ 3,000,001
Conversion approved/Net assets released from restrictions	(630,000)	(900,000)
Total NWA net assets with donor restrictions	$ 1,470,001	$ 2,100,001

During the fiscal year ended April 30, 2019, HHQ was offered a conversion opportunity from NeighborWorks America, to convert restricted capital received in the current year and prior years to unrestricted uses that support HHQ's strategic plan and mission. HHQ applied for and was approved for conversions of $630,000.

15. LOAN GUARANTEE PROGRAM

In an effort to encourage investment within the City of Syracuse and encourage responsible local landlords in the City of Syracuse, HHQ and a national banking association (Bank) established a first mortgage loan guaranty program totaling $1,500,000. Under the loan guarantee program HHQ funded investors who have been appropriately vetted through HHQ's Loan Committee. If however, the investor defaults under the mortgage two local foundations and the Greater Syracuse Property Development Corp. have guaranteed HHQ's repurchase obligations up to a total of $300,000.

16. RETIREMENT PLAN

The Organizations provide a retirement plan to all full-time employees. Employees are eligible for participation after working for the Organization for twelve months. The plan is a tax-deferred savings program, where the Organizations contribute an amount up to 6% of an employee's annual base pay. The employee may contribute voluntary tax-deferred contributions up to the legal limit.

For the years ended April 30, 2019 and 2018, retirement plan expense was $83,293 and $80,848, respectively.

17. RELATED PARTY TRANSACTIONS

HHQ has outstanding loans receivable for residential home improvements and residential first mortgages from employees totaling $826,182 and $577,359 as of April 30, 2019 and 2018. The related party loans are subject to terms and interest rates that are consistent with HHQ's policies.

18. BOARD DESIGNATED NET ASSETS

The Board has directed that certain loan programs be funded by HHQ (board designated funds). These loan programs include: home improvement loans, interim financing loans and first mortgages. The amount of the board designated loans are $10,950,103 and $11,790,274 at April 30, 2019 and 2018, respectively. Board designated net assets were $13,648,662 and $15,028,586 as of April 30, 2019 and 2018, respectively.

19. SUBSEQUENT EVENTS

The Organizations have evaluated subsequent events through September 25, 2019, which is the date the financial statements were available to be issued.

HOME HEADQUARTERS, INC.

SUPPLEMENTARY CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
APRIL 30, 2019

	HHQ	HOC	OHQ	CNYAP	CNYAR	Advanced	EHQ
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	$ 4,594,039	$ 78,854	$ 150,018	$ 21,432	$ 416,945	$ 315	$ 238,236
Accounts receivable	2,723,078	1,250	-	-	12,740	-	-
Accounts receivable - intercompany	41,992	4,695	545,100	222,714	918	-	-
Loans receivable, net of allowance for loan losses of $1,366,041 in 2019	3,118,990	-	-	-	-	-	-
Interfund transfers	(3,012,782)	-	-	-	-	-	-
Assets limited to use	791,928	-	-	-	-	-	-
Properties held for resale	687,690	-	-	-	-	-	-
Properties held for redevelopment - current portion	2,831,434	-	-	210,765	-	-	-
Prepaid expense and other assets	111,944	-	32,514	-	-	-	-
Total current assets	11,888,313	84,799	727,632	454,911	430,603	315	238,236
NON-CURRENT ASSETS:							
Certificates of deposit	-	-	-	-	-	-	685,012
Deposits held in trust	29,690	-	-	-	-	-	
Assets limited to use, net - long term prtion	1,883,728	-	-	-	-	-	-
Investment in other entities	-	-	-	-	500	-	-
Loans receivable, net - long-term portion	20,065,512	-	-	-	-	-	-
Notes receivable	100,000	-	-	-	-	-	-
Properties held for redevelopment - long-term portion	888,503	-	-	-	-	-	-
Property and equipment, net	1,498,500	-	117,526	-	15,500	-	-
Total non-current assets	24,465,933	-	117,526	-	16,000	-	685,012
Total assets	$ 36,354,246	$ 84,799	$ 845,158	$ 454,911	$ 446,603	$ 315	$ 923,247
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable and accrued expenses	$ 406,432	$ -	$ 284,342	$ -	$ 688	$ -	$ -
Accounts payable - intercompany	-	-	-	300	-	-	41,230
Deferred income - current portion	-	-	-	-	-	-	-
Escrow payable	2,202,394	-	-	-	2,500	-	-
Notes and mortgages payable - current portion	734,987	-	-	-	-	-	-
Total current liabilities	3,343,813	-	284,342	300	3,188	-	41,230
NON-CURRENT LIABILITIES:							
Tenant security deposits	20,726	-	-	-	-	-	-
Deferred income - long-term portion	1,663,709	-	-	-	-	-	-
Intercompany note payable- long-term portion	-	-	102,533	525,188	-	-	-
Liability for Home Value Protection Program	-	-	-	-	-	-	700,000
Notes and mortgages payable - long-term portion	4,450,615	-	-	-	-	-	-
Total non-current liabilities	6,135,050	-	102,533	525,188	-	-	700,000
Total liabilities	9,478,863	-	386,875	525,488	3,188	-	741,230
NET ASSETS:							
Without donor restrictions	26,875,383	84,799	458,283	(70,577)	443,415	315	182,017
With donor restrictions	-	-	-	-	-	-	-
Total net assets	26,875,383	84,799	458,283	(70,577)	443,415	315	182,017
Total liabilities and net assets	$ 36,354,246	$ 84,799	$ 845,158	$ 454,911	$ 446,603	$ 315	$ 923,247

Superior	HHC	HFI	CDI	CCHDC	Total Without Donor Restrictions	With Donor Restrictions - NWA	With Donor Restrictions - CDFI	Eliminations	Total 2019
$ 385,157	$ 30,666	$ 300,773	$ 369,026	$ 258,619	$ 6,844,080	$ (21,000)	$ -	$ -	$ 6,823,080
3,050	412	188,160	1,436	89,819	3,019,945	-	-	-	3,019,945
-	-	55,301	-	123,879	994,599	-	-	(994,599)	-
-	-	-	-	-	3,118,990	-	-	(100,000)	3,018,990
-	-	-	-	-	(3,012,782)	124,129	2,888,653	-	-
-	-	-	-	-	791,928	-	-	-	791,928
-	-	-	-	-	687,690	-	-	-	687,690
					3,042,199				3,042,199
2,089	410	5,811	1,826	9,690	164,284	-	-	-	164,284
390,296	31,488	550,045	372,288	482,007	15,650,933	103,129	2,888,653	(1,094,599)	17,548,116
									-
-	-	-	-	-	685,012	-	-	-	685,012
-	2,958	5,365	17,764	-	55,777	-	-	-	55,777
-	43,922	125,886	94,129	-	2,147,665	-	-	-	2,147,665
-	-	-	-	-	500	-	-	-	500
-	-	-	-	-	20,065,512	1,369,871	7,140,283	(102,533)	28,473,133
-	-	-	-	-	100,000	-	-	-	100,000
-	-	-	-	-	888,503	-	-	-	888,503
-	258,982	204,721	1,500,747	3,497	3,599,473	-	-	-	3,599,473
-	305,862	335,972	1,612,640	3,497	27,542,442	1,369,871	7,140,283	(102,533)	35,950,063
$ 390,296	$ 337,350	$ 886,017	$ 1,984,928	$ 485,504	$ 43,193,375	$ 1,473,001	$ 10,028,936	$ (1,197,132)	$ 53,498,179
$ 106,228	$ 1,507	$ 26,415	$ 6,761	$ 20,350	$ 852,724	$ 3,000	$ -	$ (287,949)	$ 567,774
1,840	10,629	-	267,463	-	281,462	-	-	(281,462)	-
-	-	96,852	-	-	96,852	-	772,500	-	869,352
-	-	121,270	-	-	2,326,164	-	-	-	2,326,164
-	-	-	23,585	-	758,572	-	-	-	758,572
108,068	12,136	244,537	297,809	20,350	4,315,774	3,000	772,500	(569,411)	4,521,862
-	2,245	3,927	17,764	-	44,662	-	-	-	44,662
-	250	-	1,774	19,571	1,685,304	-	-	-	1,685,304
-	-	-	-	-	627,721	-	-	(627,721)	-
-	-	-	-	-	700,000	-	-	-	700,000
-	-	50,000	609,509	-	5,110,124	-	-	-	5,110,124
-	2,495	53,927	629,047	19,571	8,167,811	-	-	(627,721)	7,540,090
108,068	14,631	298,464	926,856	39,921	12,483,585	3,000	772,500	(1,197,132)	12,061,952
282,228	322,719	587,553	1,058,072	445,583	30,669,790	-	-	-	30,669,790
-	-	-	-	-	-	1,470,001	9,256,436	-	10,726,437
282,228	322,719	587,553	1,058,072	445,583	30,669,790	1,470,001	9,256,436	-	41,396,227
$ 390,296	$ 337,350	$ 886,017	$ 1,984,928	$ 485,504	$ 43,153,375	$ 1,473,001	$ 10,028,936	$ (1,197,132)	$ 53,458,179

HOME HEADQUARTERS, INC.

SUPPLEMENTARY CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
April 30, 2018

	HHQ	HOC	OHQ	CNYAP	CNYAR	Advanced	EHQ
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	$ 4,141,741	$ 154,961	$ 136,856	$ 209,504	$ 342,518	$ 325	$ 262,365
Accounts receivable	2,972,930	-	-	-	-	-	-
Accounts receivable - intercompany	370,906	23,893	550,692	55	-	-	-
Loans receivable, net of allowance for loan losses of $1,221,748 in 2018	4,216,493	-	-	-	-	-	-
Interfund transfers	(2,296,741)	-	-	-	-	-	-
Assets limited to use	749,755	-	-	-	-	-	-
Properties held for resale	827,763	-	-	-	-	-	-
Prepaid expense and other assets	94,400	4,516	58,338	-	1,309	-	-
Total current assets	11,077,247	183,370	745,886	209,559	343,827	325	262,365
NON-CURRENT ASSETS:							
Certificates of deposit	-	-	-	-	-	-	674,229
Deposits held in trust	20,008	-	-	-	-	-	-
Assets limited to use	2,488,556	-	-	-	-	-	-
Investment in other entities	(3,583)	-	-	(1,461)	500	-	-
Loans receivable, net - long-term portion	14,226,362	-	-	-	-	-	-
Notes receivable	100,000	-	-	-	-	-	-
Properties held for redevelopment	3,155,076	-	-	217,465	-	-	-
Property and equipment, net	1,718,060	-	132,394	-	-	-	-
Total non-current assets	21,704,479	-	132,394	216,004	500	-	674,229
Total assets	$ 32,781,726	$ 183,370	$ 878,280	$ 425,563	$ 344,327	$ 325	$ 936,594
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable and accrued expenses	$ 270,300	$ 17,956	$ 98,665	$ -	$ 1,156	$ -	$ -
Accounts payable - intercompany	-	131,580	-	90,629	416	645	23,209
Intercompany note payable- current portion	-	-	292,809	-	-	-	-
Deferred income - current portion	622,673	-	-	-	-	-	-
Escrow payable	2,081,020	-	-	-	6,350	-	-
Line of credit	666,667	-	-	-	-	-	-
Notes and mortgages payable - current portion	448,982	-	-	-	-	-	-
Total current liabilities	4,089,642	149,536	391,474	90,629	7,922	645	23,209
NON-CURRENT LIABILITIES:							
Tenant security deposits	10,213	-	-	-	-	-	-
Deferred income - long-term portion	1,193,805	-	-	-	-	-	-
Intercompany note payable- long-term portion	-	-	108,126	408,324	-	-	-
Liability for Home Value Protection Program	-	-	-	-	-	-	700,000
Notes and mortgages payable - long-term portion	2,516,986	-	-	-	-	-	-
Total non-current liabilities	3,721,004	-	108,126	408,324	-	-	700,000
Total liabilities	7,810,646	149,536	499,600	498,953	7,922	645	723,209
NET ASSETS:							
Without donor restrictions	24,971,080	33,834	378,680	(73,389)	336,405	(320)	213,385
With donor restricitons	-	-	-	-	-	-	-
Total net assets	24,971,080	33,834	378,680	(73,389)	336,405	(320)	213,385
Total liabilities and net assets	$ 32,781,726	$ 183,370	$ 878,280	$ 425,564	$ 344,327	$ 325	$ 936,594

Superior	HHC	HFI	CDI	CCHDC	Total Without Donor Restrictions	With Donor Restrictions - NWA	With Donor Restrictions - CDFI	Eliminations	Total 2018
$ 357,035	$ 3,020	$ 237,637	$ 294,599	$ 210,721	$ 6,351,282	$ -	$ -	$ -	$ 6,351,282
2,488	3,914	464,417	801	58,229	3,502,779	-	-	-	3,502,779
-	-	-	-	348,907	1,294,453	-	-	(1,294,453)	-
-	-	-	-	-	4,216,493	-	-	(100,000)	4,116,493
-	-	-	-	-	(2,296,741)	750,067	1,546,674	-	-
25,383	-	-	-	-	775,138	-	-	-	775,138
-	-	-	-	-	827,763	-	-	-	827,763
2,176	140	1,631	513	2,377	165,400	-	-	-	165,400
387,082	7,074	703,685	295,913	620,234	14,836,567	750,067	1,546,674	(1,394,453)	$15,738,855
									-
-	-	-	-	-	674,229	-	-	-	674,229
-	1,334	4,181	16,824	-	42,347	-	-	-	42,347
-	44,285	121,262	93,639	-	2,747,742	-	-	-	2,747,742
-	-	-	-	-	(4,544)	-	-	-	(4,544)
-	-	-	-	-	14,226,362	1,349,934	6,148,262	(108,126)	21,616,432
-	-	-	-	-	100,000	-	-	-	100,000
-	-	-	-	-	3,372,541	-	-	-	3,372,541
-	268,370	247,624	1,601,782	4,093	3,972,323	-	-	-	3,972,323
-	313,988	373,067	1,712,245	4,093	25,131,000	1,349,934	6,148,262	(108,126)	32,521,070
$ 387,082	$ 321,062	$ 1,076,752	$ 2,008,158	$ 624,327	$ 39,967,568	$ 2,100,001	$ 7,694,936	$ (1,502,580)	$ 48,259,925

$ 25,383	$ 3,646	$ 26,343	$ 8,420	$ 27,692	$ 479,561	$ -	$ -	$ -	$ 479,561
-	18,894	203,246	224,701	-	693,321	-	-	(693,321)	-
-	-	-	-	-	292,809	-	-	(292,809)	-
-	-	152,867	1,973	-	777,513	-	-	-	777,513
83,699	-	184,024	-	-	2,355,093	-	-	-	2,355,093
-	-	-	-	-	666,667	-	-	-	666,667
-	-	-	34,584	-	483,566	-	-	-	483,566
109,082	22,540	566,480	269,678	27,692	5,748,530	-	-	(986,130)	4,762,400
-	1,334	3,759	16,824	-	32,130	-	-	-	32,130
-	-	-	-	-	1,193,805	-	-	-	1,193,805
-	-	-	-	-	516,450	-	-	(516,450)	-
-	-	-	-	-	700,000	-	-	-	700,000
-	-	50,000	622,096	-	3,189,082	-	-	-	3,189,082
-	1,334	53,759	638,920	-	5,631,467	-	-	(516,450)	5,115,017
109,082	23,874	620,239	908,598	27,692	11,379,997	-	-	(1,502,580)	9,877,417
278,000	297,188	456,513	1,099,560	596,635	28,587,571	-	-	-	28,587,571
-	-	-	-	-	-	2,100,001	7,694,936	-	9,794,937
278,000	297,188	456,513	1,099,560	596,635	28,587,571	2,100,001	7,694,936	-	38,382,508
$ 387,082	$ 321,062	$ 1,076,752	$ 2,008,158	$ 624,327	$ 39,967,568	$ 2,100,001	$ 7,694,936	$ (1,502,580)	$ 48,259,925

The accompanying notes are an integral part of these schedules.

HOME HEADQUARTERS, INC.

SUPPLEMENTARY CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED APRIL 30, 2019

	HHQ	HOC	OHQ	CNYAP	CNYAR	Advanced	EHQ
Program revenue:							
Lending and finance products	$ 5,351,763	$ -	$ -	$ -	$ -	$ -	$ -
Real estate development, net	3,267,008	-	-	-	-	-	-
Grant revenue and contributions	-	-	-	-	-	-	-
Commission income	-	-	-	-	201,352	-	-
Contract service provided revenue	-	190,901	2,717,744	-	-	-	-
Counseling fees	-	125,575	-	-	-	-	-
Homebuyer education	-	40,625	-	-	-	-	-
Rental revenue	-	-	-	-	-	-	-
Property management and maintenance fees	-	-	-	-	49,130	-	-
Servicing Revenue	-	-	-	-	-	-	-
Other program revenue	-	-	-	-	802	742	-
Net assets released from restriction	630,000	-	-	-	-	-	-
Total program revenue	9,248,771	357,101	2,717,744	-	251,284	742	-
Operating revenue:							
Fee revenue	773,438	-	-	-	-	-	-
Grants and contributions	1,286,016	-	10,000	-	-	-	-
Shared service revenue	350,586	-	-	-	-	-	-
Loan interest income	1,387,085	-	-	-	-	-	-
Other income	162,569	10	11,042	2,960	-	-	11,191
Total operating revenue	3,959,694	10	21,042	2,960	-	-	11,191
Total revenues	13,208,465	357,111	2,738,786	2,960	251,284	742	11,191
Operating expenses:							
Program expense	10,863,026	231,146	2,593,049	148	142,246	-	40,000
Operating and administrative expenses	496,884	75,000	66,134	-	2,028	107	2,559
Fundraising expenses	19,191	-	-	-	-	-	-
Total operating expenses	11,379,101	306,146	2,659,183	148	144,274	107	42,559
CHANGE IN NET ASSETS BEFORE UNREALIZED GAIN AND EQUITY TRANSFER	1,829,364	50,965	79,603	2,812	107,010	635	(31,368)
Unrealized gain on investment	74,939	-	-	-	-	-	-
Equity transfer to(from) affiliate	-	-	-	-	-	-	-
CHANGE IN NET ASSETS	1,904,303	50,965	79,603	2,812	107,010	635	(31,368)
NET ASSETS - beginning of year	24,971,080	33,834	378,680	(73,389)	336,405	(320)	213,385
NET ASSETS - end of year	$ 26,875,383	$ 84,799	$ 458,283	$ (70,577)	$ 443,415	$ 315	$ 182,017

Superior	HHC	HFI	CDI	CCHDC	Total Without Donor Restrictions	With Donor Restrictions - NWA	With Donor Restrictions - CDFI	Eliminations	Total 2019
$ -	$ -	$ 35,800	$ -	$ -	$ 5,387,563	$ -	$ 1,561,500	$ -	$ 6,949,063
-	-	-	-	-	3,267,008	-	-	-	3,267,008
-	-	438,071	-	488,372	926,443	-	-	-	926,443
-	-	-	-	1,222	202,574	-	-	(42,787)	159,787
-	-	-	-	-	2,908,645	-	-	(190,901)	2,717,744
-	-	-	-	-	125,575	-	-	-	125,575
-	-	-	-	-	40,625	-	-	-	40,625
-	55,963	68,048	273,242	-	397,253	-	-	(35,400)	361,853
-	-	-	-	28,745	77,875	-	-	(30,090)	47,785
32,217	-	-	-	-	32,217	-	-	-	32,217
-	-	-	119	4,431	6,094	-	-	-	6,094
-	-	-	-	-	630,000	(630,000)	-	-	-
32,217	55,963	541,919	273,361	522,770	14,001,872	(630,000)	1,561,500	(299,178)	14,634,194
-	-	-	-	-	773,438	-	-	(47,034)	726,404
-	-	-	-	-	1,296,016	-	-	-	1,296,016
-	-	-	-	-	350,586	-	-	(304,790)	45,796
-	-	-	-	-	1,387,085	-	-	(4,223)	1,382,862
-	13,173	5,360	7,989	-	214,294	-	-	-	214,294
-	13,173	5,360	7,989	-	4,021,419	-	-	(356,047)	3,665,372
32,217	69,136	547,279	281,350	522,770	18,023,291	(630,000)	1,561,500	(655,225)	18,299,566
-	62,396	547,824	322,838	463,397	15,266,070	-	-	(469,965)	14,796,105
27,989	-	30,049	-	30,000	730,750	-	-	(225,260)	505,490
-	-	-	-	-	19,191	-	-	-	19,191
27,989	62,396	577,873	322,838	493,397	16,016,011	-	-	(695,225)	15,320,786
4,228	6,740	(30,594)	(41,488)	29,373	2,007,280	(630,000)	1,561,500	40,000	2,978,780
-	-	-	-	-	74,939	-	-	-	74,939
-	18,791	161,634	-	(180,425)	-	-	-	-	-
4,228	25,531	131,040	(41,488)	(151,052)	2,082,219	(630,000)	1,561,500	40,000	3,053,719
									-
278,000	297,188	456,513	1,099,560	596,635	28,587,571	2,100,001	7,694,936	-	38,382,508
$ 282,228	$ 322,719	$ 587,553	$ 1,058,072	$ 445,583	$ 30,669,790	$ 1,470,001	$ 9,256,436	$ 80,000	$ 41,436,227

HOME HEADQUARTERS, INC.

SUPPLEMENTARY CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED APRIL 30, 2018

	HHQ	HOC	OHQ	CNYAP	CNYAR	Advanced	EHQ
Program revenue:							
Lending and finance products	$ 5,110,972	$ -	$ -	$ -	$ -	$ -	$ -
Real estate development	900,235	-	-	-	-	-	-
Grant revenue and contributions	-	-	-	-	-	-	-
Commission income	-	-	-	-	125,820	-	-
Contract service provided revenue	-	292,016	1,615,618	-	-	-	-
Counseling fees	-	106,000	-	-	-	-	-
Homebuyer education	-	26,006	-	-	-	-	-
Rental revenue	-	-	6,000	-	-	-	-
Property management and maintenance fees	-	-	-	-	35,222	-	-
Servicing revenue	-	-	-	-	-	-	-
Other program revenue	-	-	-	-	75	-	-
Net assets released from restriction	900,000	-	-	-	-	-	-
Total program revenue	6,911,207	424,022	1,621,618	-	161,117	-	-
Operating revenue:							
Fee revenue	601,272	-	-	-	-	-	-
Grants and contributions	1,278,782	16,026	26,250	-	-	-	-
Shared service revenue	237,100	-	-	-	-	-	-
Loan interest income	956,214	-	-	-	-	-	-
Other income	149,350	-	13,511	3,761	-	-	10,514
Total operating revenue	3,222,718	16,026	39,761	3,761	-	-	10,514
Total revenues	10,133,925	440,048	1,661,379	3,761	161,117	-	10,514
Operating expenses:							
Program expense	7,580,941	342,178	1,597,314	58	140,182	-	-
Operating and administrative expenses	330,447	75,000	26,341	2,843	3,192	100	2,979
Fundraising expenses	34,808	-	-	-	-	-	-
Total operating expenses	7,946,196	417,178	1,623,655	2,901	143,374	100	2,979
CHANGE IN NET ASSETS BEFORE UNREALIZED LOSS AND EQUITY TRANSFER	2,187,729	22,870	37,724	860	17,743	(100)	7,535
Unrealized loss on investment	(60,573)	-	-	-	-	-	-
Equity transfer (from) to affiliate	(25,000)	-	-	-	-	-	-
CHANGE IN NET ASSETS	2,102,156	22,870	37,724	860	17,743	(100)	7,535
NET ASSETS - beginning of year	22,868,924	10,964	340,956	(74,249)	318,662	(220)	205,850
NET ASSETS - end of year	$ 24,971,080	$ 33,834	$ 378,680	$ (73,389)	$ 336,405	$ (320)	$ 213,385

Superior	HHC	HFI	CDI	CCHDC	Total Without Donor Restrictions	With Donor Restrictions - NWA	With Donor Restrictions - CDFI	Eliminations	Total 2018
$ -	$ -	$ 58,561	$ -	$ -	$ 5,169,533	$ -	$ -	$ -	$ 5,169,533
-	-	-	-	-	900,235	-	-	(47,464)	852,771
-	-	875,052	-	431,257	1,306,309	-	-	-	1,306,309
-	-	-	-	-	125,820	-	-	(75,071)	50,749
-	-	-	-	-	1,907,634	-	-	(292,016)	1,615,618
-	-	-	-	-	106,000	-	-	-	106,000
-	-	-	-	-	26,006	-	-	-	26,006
-	47,031	64,048	256,360	-	373,440	-	-	-	373,440
-	-	-	-	43,020	78,242	-	-	(34,621)	43,621
12,396	-	-	-	-	12,396	-	-	-	12,396
	-	-	-	6,343	6,418	-	-	(2)	6,416
-	-	-	-	-	900,000	(900,000)	-	-	-
12,396	47,031	997,661	256,360	480,620	10,912,033	(900,000)	-	(449,174)	9,562,859
-	-	-	-	-	601,272	-	-	-	601,272
-	-	-	-	-	1,321,058	-	-	-	1,321,058
-	-	-	-	-	237,100	-	-	(235,500)	1,600
-	-	-	-	-	956,214	-	-	(4,442)	951,772
-	1,281	20,755	7,050	-	206,222	-	-	-	206,222
-	1,281	20,755	7,050	-	3,321,866	-	-	(239,942)	3,081,924
12,396	48,312	1,018,416	263,410	480,620	14,233,899	(900,000)	-	(689,116)	12,644,783
-	74,042	920,853	337,402	432,041	11,425,011	-	-	(552,173)	10,872,838
3,861	-	31,035	-	30,000	505,798	-	-	(136,943)	368,855
-	-	-	-	-	34,808	-	-	-	34,808
3,861	74,042	951,888	337,402	462,041	11,965,617	-	-	(689,116)	11,276,501
8,535	(25,730)	66,528	(73,992)	18,579	2,268,282	(900,000)	-	-	1,368,282
-	-	-	-	-	(60,573)	-	-	-	(60,573)
25,000	-	-	-	-	-	-	-	-	-
33,535	(25,730)	66,528	(73,992)	18,579	2,207,709	(900,000)	-	-	1,307,709
244,464	322,918	389,985	1,173,552	578,056	26,379,862	3,000,001	7,694,936	-	37,074,799
$ 278,000	$ 297,188	$ 456,513	$ 1,099,560	$ 596,635	$ 28,587,571	$ 2,100,001	$ 7,694,936	$ -	$ 38,382,508

The accompanying notes are an integral part of these schedules.

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S 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*

September 25, 2019

To the Boards of Directors of
Home Headquarters, Inc. and Affiliates:

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 consolidated financial statements of Home Headquarters, Inc. and Affiliates (the Organization), which comprise the consolidated statement of financial position as of April 30, 2019, and the related consolidated statement of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 25, 2019.

Internal Control Over Financial Reporting
In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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(Continued)

INDEPENDENT AUDITOR'S 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*
(Continued)

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Organization's consolidated 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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP