

Found House-Interfaith Housing Network and Subsidiary
Consolidated Financial Statements and
Schedule of Expenditure of Federal Awards
December 31, 2022
with Independent Auditor's Reports

Found House-Interfaith Housing Network and Subsidiary
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Anderson-Kurtz

Financial Services LLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Found House-Interfaith Housing Network and Subsidiary
Cincinnati, Ohio

Opinion

I have audited the accompanying consolidated financial statements of Found House-Interfaith Housing Network (an Ohio nonprofit corporation) and Subsidiary (an Ohio for-profit corporation), collectively, the "Organization," which comprise the consolidated statements of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Organization and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Found House-Interfaith Housing Network's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibility

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are

considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of program expenses and consolidating statement of position are presented for purposes of additional analysis and are not a required part of the financial statements. In addition, the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 my opinion, the schedule of program expenses, the consolidating statement of position, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 27, 2023, on my consideration of the Organization's internal control over financial reporting and on my 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 my 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 the Organization's internal control over financial reporting and compliance.

Anderson-Kurtz Financial Services LLC

Cincinnati, Ohio
September 27, 2023

Found House-Interfaith Housing Network and Subsidiary
Consolidated Statement of Financial Position
December 31, 2022

| | 2022 |
|-----------------------------------|--------------|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | \$ 640,247 |
| Accounts receivable | 3,616 |
| Contributions receivable | 37,932 |
| Grants receivable | 559,828 |
| | 1,241,623 |
| Noncurrent assets: | |
| Contributions receivable | 13,794 |
| Notes receivable | 360,000 |
| Investment in LLC's | 660,502 |
| Property and equipment, net | 497,214 |
| | 1,531,510 |
| Total assets | \$ 2,773,133 |
| Liabilities and net assets: | |
| Current liabilities: | |
| Accounts payable | \$ 43,853 |
| Current portion of long-term note | 12,000 |
| | 55,853 |
| Noncurrent liabilities: | |
| Notes payable | 405,500 |
| | 405,500 |
| Net assets: | |
| Without donor restrictions | 1,562,881 |
| With donor restrictions | 748,899 |
| | 2,311,780 |
| Total liabilities and net assets | \$ 2,773,133 |

See accompanying notes and independent auditor's report.

Found House-Interfaith Housing Network and Subsidiary
Consolidated Statement of Activities
Year Ended December 31, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|--------------|
| Operating Activities | | | |
| Revenue and other support: | | | |
| Government grants | \$ - | 3,432,028 | \$ 3,432,028 |
| Contribution revenue | 274,899 | 490,053 | 764,952 |
| Contributions of nonfinancial assets | 34,356 | - | 34,356 |
| Special event revenue | 611 | 12,249 | 12,860 |
| Interest | 59 | - | 59 |
| Miscellaneous | 404 | 1,580 | 1,984 |
| Net assets released from restrictions | 3,811,053 | (3,811,053) | - |
| Total operating revenue | 4,121,382 | 124,857 | 4,246,239 |
| Expenses: | | | |
| Program services | 3,664,205 | - | 3,664,205 |
| Supporting services expense | | | |
| Management and general | 199,027 | - | 199,027 |
| Fundraising | 111,518 | - | 111,518 |
| | 310,545 | - | 310,545 |
| Direct donor benefit costs | 2,913 | - | 2,913 |
| Total operating expenses | 3,977,663 | - | 3,977,663 |
| Change in net assets from operations | 143,719 | 124,857 | 268,576 |
| Non-Operating Activities | | | |
| Investment in LLC | (300,000) | - | (300,000) |
| Loss on investment in LLC | (7,664) | - | (7,664) |
| Change in net assets | (163,945) | 124,857 | (39,088) |
| Net assets at beginning of year | 1,726,826 | 624,042 | 2,350,868 |
| Net assets at end of year | \$ 1,562,881 | 748,899 | \$ 2,311,780 |

See accompanying notes and independent auditor's report.

Found House-Interfaith Housing Network and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Direct Donor Benefit Costs</u> | <u>Total Expenses</u> |
|--|-----------------------------|-----------------------------------|--------------------|---------------------------------------|---------------------------|
| Operating expenses: | | | | | |
| Salaries | \$ 1,040,022 | 75,738 | 66,301 | - | \$ 1,182,061 |
| Benefits | 236,845 | 20,889 | 19,654 | - | 277,388 |
| Payroll taxes | 88,991 | 4,390 | 5,347 | - | 98,728 |
| Client housing, transportation, other services | 1,827,542 | - | - | - | 1,827,542 |
| COVID client housing, supplies, other expense | 255,716 | 922 | - | - | 256,638 |
| Utilities and occupancy expense | 45,682 | 1,160 | 1,045 | - | 47,887 |
| Professional fees | 29,916 | 63,906 | 990 | - | 94,812 |
| Depreciation | 33,977 | 2,474 | 2,166 | - | 38,617 |
| Conferences and meetings | 531 | 2,089 | - | - | 2,620 |
| Travel and mileage | 14,955 | - | 49 | - | 15,004 |
| Printing and publications | 7,437 | 7,247 | 8,344 | - | 23,028 |
| Veterinary expenses | 20,420 | - | - | - | 20,420 |
| Supplies | 24,415 | 5,763 | 352 | - | 30,530 |
| Postage | 2,364 | 6,607 | 1,072 | - | 10,043 |
| Insurance | 11,638 | 304 | 487 | - | 12,429 |
| Dues | 450 | 4,479 | - | - | 4,929 |
| Telephone | 11,389 | 1,835 | 470 | - | 13,694 |
| Miscellaneous | 6,301 | 1,108 | 1,404 | - | 8,813 |
| Equipment rent and maintenance | 5,614 | 116 | 245 | - | 5,975 |
| Events | - | - | - | 2,913 | 2,913 |
| Donor database | - | - | 3,592 | - | 3,592 |
| Total operating expenses | <u>\$ 3,664,205</u> | <u>199,027</u> | <u>111,518</u> | <u>2,913</u> | <u>\$ 3,977,663</u> |

See accompanying notes and independent auditor's report.

Found House-Interfaith Housing Network and Subsidiary
Consolidated Statements of Cash Flows
Year Ended December 31, 2022

| | 2022 |
|---|-------------|
| Cash flows from operating activities: | |
| Change in net assets | \$ (39,088) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | |
| Depreciation | 38,617 |
| Change in assets and liabilities: | |
| Accounts receivable | 297,058 |
| Contributions receivable | 115,770 |
| Grants receivable | (70,977) |
| Accounts payable | (269,535) |
| Refundable advance | (11,962) |
| Net cash provided (used) by operating activities | 59,883 |
| Cash flows from investing activities: | |
| Loss on investment in LLC | 7,664 |
| Purchase of land | (73,325) |
| Purchase of property and equipment | (177,863) |
| Net cash used by investing activities | (243,524) |
| Cash flows from financing activities: | |
| Principal payment on note | (12,000) |
| Issuance of note to Melrose IHNGC Ltd Partnership | (360,000) |
| Borrowings under note from Hamilton County | 360,000 |
| Net cash used by financing activities | (12,000) |
| Net change in cash and cash equivalents | (195,641) |
| Cash and cash equivalents - beginning of year | 835,888 |
| Cash and cash equivalents - end of year | \$ 640,247 |

See accompanying notes and independent auditor's report.

1. ORGANIZATION, NATURE OF ACTIVITIES AND PRINCIPLES OF CONSOLIDATION

Found House-Interfaith Housing Network (formerly known as Interfaith Hospitality Network of Greater Cincinnati, “Found House”) is a non-profit corporation organized in 1991 under the laws of the State of Ohio. It operates in the Greater Cincinnati area to provide homeless families with emergency shelter and hospitality through interfaith communities and assists these families in the search for and retention of stable housing. The Organization is funded by contributions, government grants and fundraisers, and is supported by volunteers.

Found House owns 100% of Melrose Place GP, LLC (“Melrose Place”), a limited liability company formed in Ohio in June, 2020 for the purpose of facilitating the construction and operation of a project that will provide future client housing. Construction of a resident building began in late 2021 with occupancy certification granted on January 20, 2023. See Notes 5, 8, and 18.

Principles of Consolidation

The consolidated financial statements include the accounts of Found House and Melrose Place (collectively, the “Organization”). All significant intercompany accounts and transactions have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Trustees.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions that are likely to be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization did not have net assets with restrictions that are perpetual in nature as of December 31, 2022.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing programs and interest on cash and cash equivalents. Non-operating activities include investments in limited liability companies and other activities considered to be of a more unusual or nonrecurring nature.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

As of December 31, 2022, the Organization had cash balances in excess of federally insured limits of \$637,200.

Grants and Contributions Receivable

The Organization receives grants from various organizations, foundations, trusts, and local governments, as well as contributions from individuals. Grants receivable as of December 31, 2022 consist primarily of reimbursable program expenses incurred during the year and expected to be received from federal and local government agencies under various grant agreements.

Contributions receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

The Organization uses an allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promised made. Management believes the contributions are receivable are collectible and an allowance is not necessary at December 31, 2022. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense. There were no write-offs during 2022.

Property and Equipment

Property and equipment are recorded at cost (if purchased) or at market value at the date of gift (if donated). Expenditures for major additions and improvements are capitalized and repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, ranging from five to fifteen years.

Investments

Investments in a limited liability companies (LLC) are accounted for using the equity method of accounting. Accordingly, investments are recorded at acquisition costs plus the Organization's share of undistributed earnings or losses from the partnership.

Revenue Recognition

Contributions are recognized as revenue in the period the unconditional promise is made. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions, grants and bequests are recognized with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Interest income is recognized when earned.

A portion of the Organization's revenue is derived from cost-reimbursable federal and local government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. There were no refundable advances as of December 31, 2022.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of the direct benefits to donors when the special event takes place. The contribution element of special event revenue is recognized immediately.

Contributions of Non-Financial Assets

Volunteers contribute significant amounts of time in furtherance of the Organization's mission. These services are not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

Donated professional services are recorded as public support only if they create or enhance nonfinancial assets or require specialized services. Contributed assets are recorded at fair value at the date of donation.

Income Taxes

The Organization is an Ohio nonprofit corporation and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report any unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

| <u>Expense</u> | <u>Method of Allocation</u> |
|-----------------------------|--|
| Salaries and benefits | Time and effort |
| Occupancy | Program employees using the space to all employees using the space |
| Insurance | Program employees covered to all employees covered |
| Office supplies and postage | Program employees using the supplies to all employees using the supplies |
| Printing | Program employees using the materials to all employees using the materials |
| Telephone | Program employees using the equipment to all employees using the equipment |
| Maintenance and repairs | Program employees using the equipment to all employees using the equipment |
| Depreciation | Program employees using the equipment to all employees using the equipment |
| Audits | Program expense to total expense |
| Other | Program employees incurring the cost to all employees incurring the cost |

In 2022 approximately 92% of the Organization’s total expenses related to programs services, 5% to management and general services, and 3% to fundraising activities.

Recent Accounting Pronouncement

Lease Accounting Standard

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which requires the recognition of a “right of use” asset and lease liability, initially measured at the present value of the lease payments on all of the Organization’s lease obligations. The ASU is effective for fiscal years beginning after December 15, 2021. Client lease agreements are for terms of 12 months or less and do not meet the requirement of the new lease standard. Other financing leases are not material to the financial statements as a whole.

Gifts In-Kind

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which is effective for fiscal years beginning after June 15, 2021. It is intended to improve transparency in reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a non-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The Organization adopted and implemented this pronouncement on January 1, 2022.

Date of Management's Review

Subsequent events have been evaluated through September 27, 2023, the date the financial statements were available to be issued.

3. LIQUIDITY DISCLOSURES

The following represents the Organization's financial assets available for general expenditure at December 31, 2022:

| | 2022 |
|--|------------|
| Financial assets at year end: | |
| Cash and cash equivalents | \$ 640,247 |
| Grants receivable | 559,828 |
| Contributions receivable | 37,932 |
| Financial assets at year-end | 1,238,007 |
| Less amounts unavailable for general expenditures within one year due to: | |
| Cash and grants receivable with donor restrictions | (707,909) |
| Contributions receivable with purpose restrictions | (30,000) |
| | (737,909) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 500,098 |

The Organization has normal and recurring monthly expenses of approximately \$325,000. It is the goal of the Organization to maintain cash and availability to cover three months of expenses.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of contributions expected to be realized in the following periods:

| | 2022 |
|-----------------------------|-----------|
| Less than one year | \$ 37,932 |
| Due within two - five years | 15,000 |
| Less unamortized discount | (1,206) |
| | \$ 51,726 |

5. NOTE RECEIVABLE

On May 27, 2022, Found House executed a promissory note with Melrose IHNGC Limited Partnership, an Ohio limited partnership (the “Borrower”), for the purpose of developing and constructing the Melrose Place residential building for client housing (the “Project”). See Note 18. The note is for a sum of up to \$400,000 and bears an interest rate of 2% per annum. The principal balance, together with all accrued and unpaid interest shall be payable upon the earlier of (i) the sale of the Project or (ii) December 31, 2051. As of December 31, 2022, draws of \$360,000 had been taken on the note.

6. INVESTMENT IN LLC

The Organization owns 50 percent of 990 Nassau LLC (“990 Nassau”), a limited liability company formed in 2012 with another non-profit entity, for the purposes of purchasing and holding a building occupied by the Organization. The Organization contributed cash and the net book value of significant leasehold improvements made to the building while the Organization was under a lease-to-purchase agreement with the previous owner. Also see Note 17.

Found House owns 100% of Melrose Place GP, LLC (“Melrose Place”), a limited liability company formed in Ohio in June, 2020 for the purpose of providing future client housing. Construction of a resident building began in late 2021 with completion expected in early 2023. See Note 18.

Found House owns 100% of 2650 Melrose LLC, a limited liability company formed in 2022 for the purpose of purchasing and holding a parcel of land adjacent to the Melrose Place construction site. It will be used to provide additional outdoor space for future housing clients.

Investment in the LLC’s at December 31 consisted of the following:

| | Balance | Cost |
|----------------------|------------|------------|
| 990 Nassau LLC | \$ 287,177 | \$ 363,184 |
| Melrose Place GP LLC | 300,000 | 300,000 |
| 2650 Melrose LLC | 73,325 | 73,325 |
| | \$ 660,502 | \$ 736,509 |

The following is a reconciliation of the balance in the LLC:

| | 990 Nassau | Melrose Place GP LLC | 2650 Melrose | Total |
|--------------------|------------|-------------------------|--------------|------------|
| Balance, 12/31/21 | \$ 294,841 | 300,000 | - | \$ 594,841 |
| Loss on investment | \$ (7,664) | | - | \$ (7,664) |
| Investment in LLC | \$ - | - | 73,325 | \$ 73,325 |
| Balance, 12/31/22 | \$ 287,177 | \$ 300,000 | \$ 73,325 | \$ 660,502 |

7. PROPERTY AND EQUIPMENT

Depreciation expense for the year ended December 31, 2022 totaled \$38,617. Property and equipment consist of the following at December 31:

| | |
|-------------------------------|-------------------|
| | <u>2022</u> |
| Leasehold improvements | \$ 654,135 |
| Furniture and equipment | <u>48,297</u> |
| | 702,432 |
| Less accumulated depreciation | <u>(205,218)</u> |
| | <u>\$ 497,214</u> |

8. NOTES PAYABLE

In 2012, the Organization received a loan from the Hubert Family Foundation for \$162,000 for renovation of the property at a new site. The terms of this interest free loan are flexible and called for monthly payments of \$1,000 through June 2018. In mid-2018, the Foundation suspended the monthly payment requirement pending reevaluation of the loan in 2019. Repayments resumed in 2019, on an informal repayment schedule. The outstanding balance on the loan was \$57,500 at December 31, 2022.

In August 2021, Found House entered into an agreement with Hamilton County Planning and Development Department (the “County”) for the construction of 26 new multi-family housing units (the “Project”), 7 of which will be assisted by the County HOME Investment Partnership Program. Under the terms of the agreement, Found House was awarded a loan of up to \$400,000 for the housing project known as Melrose Place. Upon completion of the project, the funds will remain a deferred loan for a period of 20 years, at which time the loan will be forgiven, if the Organization has complied with all terms of the agreement. As of December 31, 2022, draws of \$360,000 were taken on the loan.

Maturities for notes payable for years ending December 31, are as follows:

| | |
|--------------------------------------|-------------------|
| | <u>2022</u> |
| Notes payable at December 31 | \$ 417,500 |
| Less: Current portion | <u>(12,000)</u> |
| Note payable, net of current portion | <u>\$ 405,500</u> |
| | |
| 2023 | \$ 12,000 |
| 2024 | 12,000 |
| 2025 | 12,000 |
| 2026 | 12,000 |
| 2027 | 9,500 |
| Thereafter | <u>360,000</u> |
| | <u>\$ 417,500</u> |

9. NET ASSETS

Net assets with donor restrictions for the years ended December 31, were as follows:

| | |
|--|-------------------|
| Passage of time - receivables | \$ 40,990 |
| Purpose restrictions | |
| Child Enrichment | 131,994 |
| Transportation | 33,540 |
| Other Shelter | 227,510 |
| Permanent Supportive Housing 1 | 12,814 |
| Permanent Supportive Housing 2 | 6,907 |
| Melrose Place | 261,730 |
| Capital Improvements | <u>33,414</u> |
| Total net assets with donor restrictions | <u>\$ 748,899</u> |

Net assets without donor restrictions for the years ended December 31, were as follows:

| | |
|--------------|---------------------|
| Undesignated | <u>\$ 1,562,881</u> |
|--------------|---------------------|

Net assets released from net assets with donor restrictions for the years ended December 31, were as follows:

| | |
|--------------------------------------|---------------------|
| Satisfaction of time restrictions | \$ 76,523 |
| Satisfaction of purpose restrictions | |
| Child Enrichment | 55,565 |
| Transportation | 150 |
| Pet Program | 63,202 |
| Other Shelter | 682,133 |
| Permanent Supporting Housing 1 | 347,446 |
| Permanent Supporting Housing 2 | 477,342 |
| Melrose Place | 278,015 |
| Other Programs | <u>1,830,677</u> |
| Total released from restrictions | <u>\$ 3,811,053</u> |

10. CONTRIBUTIONS:

Contributions consist of the following at December 31:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-----------------------|-------------------------------|----------------------------|------------|
| <u>2022</u> | | | |
| Private contributions | \$ 181,685 | 72,671 | \$ 254,356 |
| Foundation grants | 53,514 | 400,236 | 453,750 |
| United Way | 39,700 | 17,146 | 56,846 |
| | \$ 274,899 | 490,053 | \$ 764,952 |

11. CONTRIBUTIONS OF NONFINANCIAL ASSETS

The Organization recognized contributed nonfinancial assets within revenue. The donated professional services were not restricted for use toward a specific program. The value of the services was estimated at the fair value of similar services in the Cincinnati market. Services included as contributions in the financial statements and the corresponding expense category consist of the following for the years ended December 31:

| | |
|-------------------------------------|-----------|
| Information technology service fees | \$ 34,356 |
|-------------------------------------|-----------|

Religious congregations in the Greater Cincinnati area provide shelter and meals to homeless families through the programs offered by the Organization. Because shelter and meals are provided directly to the homeless families, the nonfinancial contribution is not reflected in the Organization's financial statements. Management estimates that 1,286 shelter nights were provided in 2022 at an estimated value of \$40 per person per night for a total estimated value of \$51,440.

12. FUNDRAISING EVENTS

Fundraising events contributed to the resources available for programs during the years ended December 31 as follows:

| | 2022 |
|---------------------------------|-----------|
| Special event revenue, gross | \$ 12,860 |
| Less direct donor benefit costs | (2,913) |
| Special event revenue, net | \$ 9,947 |

The cost of direct donor benefits consisted of the following at December 31:

| | 2022 |
|-----------------|----------|
| Beverages | \$ 250 |
| Event supplies | 891 |
| Entertainment | 200 |
| Event insurance | 923 |
| Event permits | 449 |
| Miscellaneous | 200 |
| | \$ 2,913 |

13. RETIREMENT PLAN

The Organization sponsors a retirement benefit plan for substantially all of its full-time employees. The defined contribution plan meets the requirements of a Savings Incentive Match Plan for Employees (SIMPLE) as defined by the Internal Revenue Service and is funded by contributions from the Organization and employees. Employer contributions are up to 3% of compensation, and employees are vested immediately in employer contributions. The Organization contributed \$17,167 to the plan in 2022.

14. LEASES

Client housing lease agreements are for terms of 12 months or less and do not meet the requirements of the new lease standard. On January 9, 2020, the Organization also entered into a lease agreement with the owner of two buildings for ten rentable rooms to provide housing for homeless individuals and families. The term of the lease is year-by-year and total rent for all ten units may not exceed \$7,250 per month.

The Organization leases various office and household equipment under lease agreements which are classified as financing leases. The following is a schedule of future minimum lease payments for the financing leases:

| | |
|------|----------|
| 2023 | \$ 2,028 |
| 2024 | 2,028 |
| 2025 | 338 |
| | \$ 4,394 |

Amounts paid for client rent under the Housing Program and other office and household equipment leasing were as follows for the year ended December 31, 2022:

| | 12/31/2022 |
|-----------------------------------|--------------|
| Client rent under Housing Program | \$ 1,350,977 |
| Other equipment leasing | 5,975 |
| | \$ 1,356,952 |

15. LINE OF CREDIT

The Organization has an unsecured line of credit of \$47,400 on credit cards as of December 31, 2022. The available credit as of December 31, 2022 was approximately \$42,900. Interest is calculated at an annual percentage rate (APR) of 15.99%.

16. CONCENTRATIONS

During 2022, one grantor represented approximately 55% of the Organization's total revenue for the year . As of December 31, 2022, receivables from one grantor represented 81% of total grants and contributions receivable, combined. The primary grantor is the U.S. Department of Housing and Urban Development. The Organization expects this to continue to be a reliable source of funds, and therefore it does not pose a significant concentration risk.

17. RELATED PARTY TRANSACTIONS

Facilities from which the Organization conducts its operations are leased from a related party under an 80 year agreement with a total lease payment of \$10. The Organization has a 50% ownership interest in this entity, as discussed in Note 2 and 6. See Melrose Place GP, LLC below.

18. MELROSE PLACE GP, LLC

On June 11, 2020, the Organization became the 99.9% limited partner of the newly created Melrose IHNGC Limited Partnership, an entity formed for the purpose of facilitating the development and construction of a resident building to be known as Melrose Place for future client housing.

A separate entity wholly owned by Found House (the subsidiary, Melrose Place GP, LLC) is the 0.1% general partner of Melrose IHNGC Limited Partnership, which is the owner of the construction-in-progress tax credit partnership. On August 24, 2021, the Organization was replaced as the limited partner by Ohio Equity Fund for Housing Limited Partnership XXXI. The Model Group, Inc. and Found House are guarantors for the project.

Construction on the resident building began in late 2021. A certificate of occupancy was issued on January 20, 2023. The building has 26 units for family housing. Day-to-day operations, post occupancy, are managed by the Organization with assistance from Model Group.

Found House, through its subsidiary, Melrose Place GP, LLC, committed \$300,000 in capital contributions to the project. Of that amount, \$30,000 was payable as of December 31, 2022. Refer to the consolidating statement of position and consolidating statement of activities.

Melrose Place GP, LLC had passthrough basis in the project of \$3,205,448 as of December 31, 2022. Passthrough liabilities were \$3,204,858 as of December 31, 2022. These amounts are reflected on the tax return of the Melrose Place GP, LLC as of December 31, 2022, but are not reflected in these financial statements because the underlying construction-in-progress (asset) and associated liabilities rest with Melrose IHNGC Limited Partnership as the owner of the tax credit partnership.

Found House-Interfaith Housing Network and Subsidiary
Schedule of Program Expenses
Year Ended December 31, 2022

| | 2022 | | |
|--|----------------------|---|------------------------------|
| | Emergency Shelter | Other Housing & Family Assistance | Total Program Expenses |
| Program expenses: | | | |
| Salaries | \$ 318,301 | 721,721 | \$ 1,040,022 |
| Benefits | 54,826 | 182,019 | 236,845 |
| Payroll taxes | 28,693 | 60,298 | 88,991 |
| Client housing, transportation, other services | 86,206 | 1,741,336 | 1,827,542 |
| COVID client housing, supplies, other expense | 255,716 | - | 255,716 |
| Utilities and occupancy expense | 32,998 | 12,684 | 45,682 |
| Professional fees | 13,211 | 16,705 | 29,916 |
| Depreciation | 10,399 | 23,578 | 33,977 |
| Conferences and meetings | 531 | - | 531 |
| Travel and mileage | 3,991 | 10,964 | 14,955 |
| Printing and publications | 3,341 | 4,096 | 7,437 |
| Veterinary expenses | 20,420 | - | 20,420 |
| Supplies | 20,396 | 4,019 | 24,415 |
| Postage | 905 | 1,459 | 2,364 |
| Insurance | 5,085 | 6,553 | 11,638 |
| Dues | 450 | - | 450 |
| Telephone | 4,428 | 6,961 | 11,389 |
| Miscellaneous | 34 | 6,267 | 6,301 |
| Equipment rent and maintenance | 3,800 | 1,814 | 5,614 |
| Total program expenses | <u>\$ 863,731</u> | <u>2,800,474</u> | <u>\$ 3,664,205</u> |

See independent auditor's report.

Found House-Interfaith Housing Network and Subsidiary
Consolidating Statement of Financial Position
December 31, 2022

| | Found House- Interfaith Housing Network | Melrose Place GP, LLC | Eliminating | Total |
|-----------------------------------|---|--------------------------|--------------|--------------|
| Assets: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 640,247 | - | - | \$ 640,247 |
| Accounts receivable | 3,616 | 30,000 | (30,000) | 3,616 |
| Contributions receivable | 37,932 | - | - | 37,932 |
| Grants receivable | 559,828 | - | - | 559,828 |
| | 1,241,623 | 30,000 | (30,000) | 1,241,623 |
| Noncurrent assets: | | | | |
| Contributions receivable | 13,794 | - | - | 13,794 |
| Note receivable | 360,000 | - | - | 360,000 |
| Investment in LLC | 660,502 | 300,000 | (300,000) | 660,502 |
| Property and equipment, net | 497,214 | - | - | 497,214 |
| | 1,531,510 | 300,000 | (300,000) | 1,531,510 |
| Total assets | \$ 2,773,133 | 330,000 | (330,000) | 2,773,133 |
| Liabilities and net assets: | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 43,853 | 30,000 | (30,000) | 43,853 |
| Current portion of long-term note | 12,000 | - | - | 12,000 |
| | 55,853 | 30,000 | (30,000) | 55,853 |
| Noncurrent liabilities: | | | | |
| Notes payable | 405,500 | - | - | 405,500 |
| Net assets/Equity: | | | | |
| Equity in limited partnership | - | 300,000 | (300,000) | - |
| Without donor restrictions | \$ 1,562,881 | - | - | 1,562,881 |
| With donor restrictions | 748,899 | - | - | 748,899 |
| | 2,311,780 | 300,000 | (300,000) | 2,311,780 |
| Total liabilities and net assets | \$ 2,773,133 | \$ 330,000 | \$ (330,000) | \$ 2,773,133 |

See independent auditor's report.

Found House-Interfaith Housing Network and Subsidiary
Consolidating Statement of Activities
Year Ended December 31, 2022

| | Found House- Interfaith Housing Network | Melrose Place GP, LLC | Eliminating | Total |
|--|---|--------------------------|-------------|---------------------|
| Operating Activities | | | | |
| Revenue and other support: | | | | |
| Government grants | \$ 3,432,028 | - | - | \$ 3,432,028 |
| Contribution revenue | 764,952 | - | - | 764,952 |
| Contributions of nonfinancial assets | 34,356 | - | - | 34,356 |
| Special event revenue | 12,860 | - | - | 12,860 |
| Interest | 59 | - | - | 59 |
| Miscellaneous | 1,984 | - | - | 1,984 |
| | <u>4,246,239</u> | <u>-</u> | <u>-</u> | <u>4,246,239</u> |
| Expenses: | | | | |
| Program services | 3,664,205 | - | - | 3,664,205 |
| Supporting services expense | | | | |
| Management and general | 199,027 | - | - | 199,027 |
| Fundraising | 111,518 | - | - | 111,518 |
| | <u>310,545</u> | <u>-</u> | <u>-</u> | <u>310,545</u> |
| Direct donor benefit costs | 2,913 | - | - | 2,913 |
| | <u>3,977,663</u> | <u>\$-</u> | <u>-</u> | <u>3,977,663</u> |
| Change in net assets from operations | 268,576 | - | - | 268,576 |
| Non-Operating Activities | | | | |
| Investment in LLC | (300,000) | - | - | (300,000) |
| Loss on investment in LLC | (7,664) | - | - | (7,664) |
| | <u>(39,088)</u> | <u>-</u> | <u>-</u> | <u>(39,088)</u> |
| Change in net assets | (39,088) | - | - | (39,088) |
| Net assets/Equity at beginning of year | <u>2,350,868</u> | <u>-</u> | <u>-</u> | <u>2,350,868</u> |
| Net assets at end of year | <u>\$ 2,311,780</u> | <u>-</u> | <u>-</u> | <u>\$ 2,311,780</u> |

See accompanying notes and independent auditor's report.



Anderson-Kurtz

Financial Services LLC

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*

To the Board of Trustees of
Found House-Interfaith Housing Network and Subsidiary
Cincinnati, Ohio

I 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 Found House-Interfaith Housing Network (formerly known as Interfaith Hospitality Network of Greater Cincinnati, an Ohio nonprofit corporation) and Subsidiary (an Ohio for-profit corporation), collectively, the "Organization," which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued my report thereon dated September 27, 2023.

Internal Control over Financial Reporting

In planning and performing my audit of the consolidated financial statements, I 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 my 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, I do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, I 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson-Kurtz Financial Services LLC

Cincinnati, Ohio
September 27, 2023

Found House-Interfaith Housing Network
Schedule of Expenditure of Federal Awards
Year Ended December 31, 2022

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program | Federal AL Number | Pass Through Entity Identifying Number | 2022 Total Federal Expenditures |
|--|----------------------|--|---------------------------------------|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) | | | |
| <i>Passed through Strategies to End Homelessness, Inc.</i> | | | |
| Emergency Solutions Grant - Emergency Shelter | 14.231 | 20223002 | \$ 34,142 |
| Emergency Solutions Grant - Rapid Rehousing Assistance | 14.231 | 20213008 | 188,832 |
| Emergency Solutions Grant - Rapid Rehousing Assistance | 14.231 | 20223008 | 71,182 |
| Emergency Solutions Grant - CARES Act - Rapid Rehousing Assistance | 14.231 | 20223050 | 9,820 |
| Emergency Solutions Grant - CARES Act - Shelter | 14.231 | 20223062 | 42,817 |
| Emergency Solutions Grant - CARES Act - Prevention | 14.231 | 20223066 | 30,000 |
| Emergency Solutions Grant - CARES Act - Emergency Shelter | 14.231 | 20223052 | 321,521 |
| <i>Passed through City of Cincinnati</i> | | | |
| Emergency Solutions Grant - Emergency Shelter | 14.231 | 25x2022-209 | 177,863 |
| Total AL Number 14.231 | | | <u>876,177</u> |
| <i>Passed through Strategies to End Homelessness, Inc.</i> | | | |
| Continuum of Care - Rapid Rehousing for Families | 14.267 | 20210476 | 116,801 |
| Continuum of Care - Rapid Rehousing for Families | 14.267 | 20220476 | 156,362 |
| Continuum of Care - Rapid Rehousing for Families | 14.267 | 20220403 | 32,741 |
| Continuum of Care - Permanent Supportive Housing | 14.267 | 20210368 | 177,689 |
| Continuum of Care - Permanent Supportive Housing | 14.267 | 20220368 | 385,477 |
| Continuum of Care - Permanent Supportive Housing | 14.267 | 20220683 | 5,573 |
| Continuum of Care - Permanent Supportive Housing 2 | 14.267 | 20210539 | 239,254 |
| Continuum of Care - Transitional/Rapid Rehousing | 14.267 | 20220248IHN | 19,780 |
| Continuum of Care - Youth Homelessness Demonstration Program | 14.267 | 20210598IHN | 92,543 |
| Continuum of Care - Youth Homelessness Demonstration Program | 14.267 | 20220686FHIHN | 69,212 |
| Continuum of Care - Transitional/Rapid Rehousing | 14.267 | 20210605 | 331,537 |
| Continuum of Care - Transitional/Rapid Rehousing | 14.267 | 20220605 | 316,018 |
| Total AL Number 14.267 | | | <u>1,942,987</u> |
| <i>Passed through Hamilton County, Ohio</i> | | | |
| Home Investment Partnership Program Loan | 14.239 | TBD | 360,000 |
| Total U.S Housing and Urban Development | | | <u>3,179,164</u> |
| U.S DEPARTMENT OF THE TREASURY | | | |
| <i>Passed through United Way from Hamilton County</i> | | | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | ARPA-SLFRF | 35,601 |
| Total U.S. Department of the Treasury | | | <u>35,601</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 3,214,765</u> |

The accompanying notes are an integral part of this schedule.

A. BASIS OF ORGANIZATION AND NATURE OF ACTIVITIES

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Found House-Interfaith Housing Network, formerly known as Interfaith Hospitality Network of Greater Cincinnati (the "Organization") under programs of the federal government for the year ended December 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

C. INDIRECT COST ALLOCATION

The Organization has not elected to the 10 percent de minimis indirect cost rate under Title 2 CFR Section 200.414(-f). Allowable facilities and administrative costs that benefit all programs and cannot be identified to a specific program are allocated to programs using a specifically identified base that results in an equitable distribution of costs.

D. LOAN

During the year ended December 31, 2022, the Organization was the recipient of HOME Investment Partnership Program funds in the form of a loan of up to \$400,000 for the construction of 26 new multi-family housing units, 7 of which will be HOME assisted units. Draws on the loan totaled \$360,000 as of December 31, 2022. All HOME funds are subject to repayment if the underlying housing project does not meet the requirements outlined in the agreement. The program is administered by the U.S Department of Housing and Urban Development, CFDA number 14.239.

E. SUB-RECIPIENT STATUS

The Organization is a sub-recipient that receives a sub-awards from a pass-through entity to carry out part of the federal programs identified in the Schedule. As such, the Organization conducts program activities and incurs related costs, submits reimbursement requests to the pass-through entity, and receives federal award funds upon approval of reimbursement requests.



Anderson-Kurtz

Financial Services LLC

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

To the Board of Trustees of
Found House-Interfaith Housing Network and Subsidiary
Cincinnati, Ohio

Report on Compliance for Each Major Federal Program

I have audited Found House-Interfaith Housing Network and subsidiary (formerly known as Interfaith Hospitality Network of Greater Cincinnati's, the "Organization's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Anderson-Kurtz Financial Services LLC

Cincinnati, Ohio
September 27, 2023

Summary of Auditor's Results

1. The Auditor's report expresses an unmodified opinion on whether the financial statements of Found House-Interfaith Housing Network (the "Organization") were prepared in accordance with U.S. GAAP.
2. No significant deficiencies and no material weaknesses were reported during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Organization, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were reported during the audit of the Organization.
5. The auditor's report on compliance for the major federal award programs for the Organization expresses an unmodified opinion on all major federal programs.
6. No audit findings relating to the federal award program were noted that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program was CFDA 14.231, Emergency Solutions Grants Program.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Organization qualified as a low-risk auditee for the year ended December 31, 2022.

FINDINGS - None