

Found House-Interfaith Housing Network and Subsidiaries

**Consolidated Financial Statements with Supplementary Information
December 31, 2023 and
Independent Auditors' Report**

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES
December 31, 2023

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Independent Auditors' Report

To the Board of Directors
Found House-Interfaith Housing Network and Subsidiaries
Cincinnati, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Found House-Interfaith Housing Network (a nonprofit organization) and Subsidiaries (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2023, 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 our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

**Independent Auditors' Report
(Continued)**

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 our 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.

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

**Independent Auditors' Report
(Continued)**

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position, consolidating statement of activities, and 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 are 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 consolidating statement of financial position, consolidating statement of activities, and 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*, we have also issued our report dated September 30, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's 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.



September 30, 2024
Cincinnati, Ohio

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

**Consolidated Statement of Financial Position
December 31, 2023**

Assets

Cash and cash equivalents	\$ 936,958
Accounts receivable	49,767
Grants receivable	314,739
Pledges receivable	64,172
Accrued interest receivable	8,000
Note receivable	400,000
Property and equipment, net	530,214
Investment in partnerships	579,216
	<hr/>
Total assets	<u><u>\$ 2,883,066</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 29,388
Interest payable	2,000
Notes payable	454,500
	<hr/>
Total liabilities	<u>485,888</u>

Net Assets

Without donor restrictions	1,821,356
With donor restrictions	575,822
	<hr/>
Total net assets	<u>2,397,178</u>
	<hr/>
Total liabilities and net assets	<u><u>\$ 2,883,066</u></u>

See accompanying notes to consolidated financial statements

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

Consolidated Statement of Activities Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses) and public support			
Contributions	\$ 304,674	\$ 717,355	\$ 1,022,029
Special events	19,264	-	19,264
Donated materials and contributed services	52,449	-	52,449
Government and other grants	3,309,448	-	3,309,448
Property management fees and services	159,148	-	159,148
Developer fees	120,004	-	120,004
Miscellaneous income	33,908	-	33,908
Interest income	16,417	-	16,417
Loss on investment in partnerships	(7,961)	-	(7,961)
Net assets released from restrictions	642,157	(642,157)	-
	4,649,508	75,198	4,724,706
Total revenues, gains (losses) and public support			
Expenses			
Program services	4,274,154	-	4,274,154
Management and general	230,757	-	230,757
Fundraising	134,397	-	134,397
	4,639,308	-	4,639,308
Total expenses			
Change in net assets	10,200	75,198	85,398
Net assets, beginning of year	1,811,156	500,624	2,311,780
Net assets, end of year	\$ 1,821,356	\$ 575,822	\$ 2,397,178

See accompanying notes to consolidated financial statements

FOUND HOUSE-INTERFAITH HOUSING NETWORK

Consolidated Statement of Functional Expenses Year Ended December 31, 2023

	<u>Services</u>	<u>General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,035,327	\$ 114,529	\$ 80,762	\$ 1,230,618
Employee benefits	250,620	21,657	22,450	294,727
Payroll taxes	87,090	9,774	6,598	103,462
Total salaries and related expenses	1,373,037	145,960	109,810	1,628,807
Client housing, transportation, other services	2,579,337	-	-	2,579,337
Utilities and occupancy expense	52,656	4,842	1,524	59,022
Professional fees	32,964	19,515	2,366	54,845
Supplies	39,017	8,544	575	48,136
IT services	36,771	3,028	3,461	43,260
Veterinary expenses	41,045	-	-	41,045
Miscellaneous	6,991	16,938	955	24,884
Printing and publications	17,868	2,423	2,538	22,829
Travel and mileage	14,965	5,164	116	20,245
Insurance	18,923	908	777	20,608
Telephone	8,296	8,192	623	17,111
Dues	450	7,674	-	8,124
Equipment rent and maintenance	6,134	283	224	6,641
Postage	18	1,537	4,141	5,696
Donor database	-	-	3,619	3,619
Conferences and meetings	268	2,944	-	3,212
Events	-	-	2,337	2,337
Interest expense	2,000	-	-	2,000
Total expenses before depreciation	4,230,740	227,952	133,066	4,591,758
Depreciation	43,414	2,805	1,331	47,550
Total expenses	<u>\$ 4,274,154</u>	<u>\$ 230,757</u>	<u>\$ 134,397</u>	<u>\$ 4,639,308</u>

See accompanying notes to consolidated financial statements

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

Consolidated Statement of Cash Flows Year Ended December 31, 2023

Cash flows from operating activities	
Change in net assets	\$ 85,398
Adjustments to reconcile change in net assets to cash from operating activities:	
Depreciation	47,550
Change in assets and liabilities:	
Accounts receivable	(46,151)
Grants receivable	245,089
Pledges receivable	(12,446)
Accrued interest receivable	(8,000)
Accounts payable	(14,465)
Interest payable	2,000
Net cash provided by operating activities	<u>298,975</u>
Cash flows from investing activities	
Purchase of property and equipment	(7,225)
Issuance of note receivable	(40,000)
Investment in partnerships	7,961
Net cash used in investing activities	<u>(39,264)</u>
Cash flows from financing activities	
Proceeds from notes payable	40,000
Payments on notes payable	(3,000)
Net cash provided by financing activities	<u>37,000</u>
Net change in cash and cash equivalents	296,711
Cash and cash equivalents, beginning of year	<u>640,247</u>
Cash and cash equivalents, end of year	<u><u>\$ 936,958</u></u>

See accompanying notes to consolidated financial statements

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Operations

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. Found House is funded by contributions, government grants and fundraisers, and is supported by volunteers.

Found House is the sole member of Melrose Place GP, LLC, an Ohio limited liability company formed in Ohio in June, 2020 for the purpose of facilitating the construction and operation of a client housing project.

Melrose Place GP, LLC is the 0.1% General Partner of Melrose IHNGC Limited Partnership, an Ohio limited partnership formed in August 2021 for the purpose of constructing, owning and operating a 26-unit apartment community, Melrose Place (Project), located in Cincinnati, Ohio. Ohio Equity Fund for Housing Limited Partnership XXXI is the 99.9% Limited Partner of Melrose IHNGC Limited Partnership.

Construction on the Project began in late 2021. A certificate of occupancy was issued on January 20, 2023. Day-to-day operations are managed by Found House with assistance from Model Group Properties TMG, LLC. Compensation for such services are determined under the Partnership and Management Agreements. As part of the structuring, Found House received funds totaling \$300,000 from the Ohio Housing Finance Agency. The funding was then provided to Melrose Place GP, LLC who contributed the funds as a capital contribution to Melrose IHNGC Limited Partnership. As of December 31, 2023, the full amount was contributed.

Found House is also the sole member of 2650 Melrose, LLC, an Ohio Limited Liability Company formed in December 2021 for the purpose of purchasing and holding land.

Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities and financial activities of Found House and Melrose Place GP, LLC and 2650 Melrose, LLC (collectively, the “Organization”). All significant inter-organizational balances and transactions have been eliminated.

Melrose Place GP, LLC, holds a 0.1% general partner interest in Melrose IHNGC Limited Partnership. FASB ASC 810-20, *Consolidation – Control of Partnerships and Similar Entities*, prescribes that entities should be consolidated when there is control regardless of the percentage of ownership. The general partners in a limited partnership are presumed to control the limited partnership regardless of the extent of the general partners’ ownership interest in the limited partnership. However, the limited partner in Melrose IHNGC Limited Partnership has substantive ability to dissolve the limited partnership, remove the general partner without cause or has substantive participating rights. As this overcomes the presumption of general partner control, Melrose IHNGC Limited Partnership is excluded from the consolidated financial statements.

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction, which have no donor-imposed restriction; and net assets with donor restriction which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of December 31, 2023, there were no net assets with donor restriction required to be maintained in perpetuity.

Fair Value Measurements

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2023, cash equivalents consisted primarily of money market deposit accounts. The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are stated at unpaid balances, less an allowance for credit losses. The Organization provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, existing economic conditions and individual credit evaluation and specific circumstances of the customer. No allowance for credit losses was considered necessary at December 31, 2023.

Note Receivable and Allowance for Credit Losses

The Organization provides an allowance for credit losses based upon review of outstanding receivables, historical collection information, existing economic conditions and individual credit evaluation and specific circumstances of the customer. As of December 31, 2023, there is no allowance for credit losses associated with the note receivable.

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred.

In accordance with GAAP, the Organization assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. Based on its most recent analysis, the Organization believes no impairments existed at December 31, 2023.

Investments in Partnerships

The Organization accounts for its investment in partnerships under the equity method of accounting, where the investment is initially recorded at cost, and the Organization's share of earnings is reflected in income as earned and distributions are credited against the investment when received. Amounts invested are generally not available for use by the Organization.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenues when the conditions are substantially met and the gift becomes unconditional.

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants

Revenues of the Organization consist primarily of federal, state, and local cost reimbursable grants. The grants are conditional on the Organization incurring allowable expenses in performance of the grants. Grant revenue is recognized as support to the extent that the related expenses are incurred. Grant funds received in excess of expenses incurred result in the recognition of a refundable advance (liability) recorded on the consolidated statement of financial position. Allowable expenses incurred in excess of grant funds received result in recognition of grants receivable (asset) on the consolidated statement of financial position.

Donated Materials and Contributed Services

The Organization receives certain in-kind donations during the year, which are recorded at fair market value as contribution revenue and an expense in the consolidated financial statements.

Leases

The Organization leases buildings for client housing under primarily short-term arrangements. The Organization elected to apply the short-term lease exemption to not recognize lease liabilities or right of use assets for leases with terms of one year or less. The short-term lease cost recognized and disclosed for these leases in 2023 was \$57,780.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities, accordingly, certain costs have been allocated among benefited programs and supporting services. The expenses that are allocated include salaries and related expenses, which are allocated on the basis of time and effort. All other expenses are either direct or are allocated using full-time equivalent or square footage.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Ohio law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization's tax returns are subject to review and examination by federal, state and local authorities. The Organization believes they have appropriate support for any tax positions taken, and therefore, do not have any uncertain income tax positions that are material to the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effect of Adopting New Accounting Standard

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is as shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with more useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 are the accounts receivable and note receivable. The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements.

Subsequent Events

Subsequent events were considered through September 30, 2024, the date which the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2023:

Financial assets:	
Cash and cash equivalents	\$ 936,958
Accounts receivable	49,767
Pledges receivable	64,172
Grants receivable	314,739
Accrued interest receivable	8,000
Note receivable	<u>400,000</u>
Total financial assets	1,773,636
Less net assets with donor restrictions	(575,822)
Less accrued interest receivable and note receivable	<u>(408,000)</u>
Total financial assets available to for general expenditures within one year	<u>\$ 789,814</u>

The Organization has normal and recurring monthly expenses of approximately \$375,000. It is the goal of the Organization to maintain cash and availability to cover three months of expenses.

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable at December 31, 2023 consisted of the following:

Due within one year	\$ 62,572
Due in one to five years	<u>1,600</u>
	<u>\$ 64,172</u>

No amounts have been recorded as an allowance for doubtful accounts as the Organization considers all pledges to be fully collectible. Additionally, no discount pledges has been recognized as of December 31, 2023 as the amount would be considered immaterial.

NOTE 4 NOTE RECEIVABLE

On May 27, 2022, the Organization 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"). 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 the sale of the Project or December 31, 2051. As of December 31, 2023, the full \$400,000 was drawn on the note and remains outstanding. Accrued interest receivable on the note as of December 31, 2023 was \$8,000.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2023:

Land	\$ 73,325
Buildings and improvements	661,360
Furniture, equipment and vehicles	48,297
Less accumulated depreciation	<u>(252,768)</u>
	<u>\$ 530,214</u>

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 6 INVESTMENT IN PARTNERSHIPS

Investments in partnerships consisted of the following at December 31, 2023:

990 Nassau LLC	\$ 279,512
Melrose IHNGC Limited Partnership	<u>299,704</u>
	<u>\$ 579,216</u>

990 Nassau LLC

The Organization owns 50% of 990 Nassau LLC ("990 Nassau"), an Ohio 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 net book value of leasehold improvements made to the building. The carrying value of the Organization's investment at December 31, 2023 approximates the Organization's underlying equity in the net assets of 990 Nassau. 990 Nassau's assets totaled \$445,836 as of December 31, 2023 and net loss was \$(15,330) for the year ended December 31, 2023.

Melrose Place IHNGC Limited Partnership

The Organization owns 0.1% of Melrose Place IHNGC Limited Partnership, an Ohio limited partnership formed in August 2021 for the purpose of constructing, owning and operating a 26-unit apartment community, Melrose Place (Project), located in Cincinnati, Ohio. The carrying value of the Organization's investment at December 31, 2023 approximates the Organization's underlying equity in the net assets of Melrose Place IHNGC Limited Partnership. Melrose Place IHNGC Limited Partnership assets and liabilities totaled \$6,395,472 and \$2,705,536 as of December 31, 2023, respectively. Melrose Place IHNGC Limited Partnership's revenues and net loss for the year ended December 31, 2023 were \$271,937 and \$(294,252), respectively.

NOTE 7 NOTES PAYABLE

In 2012, the Organization received a loan from the Hubert Family Foundation (the "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. During 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 \$54,500 at December 31, 2023.

In August 2021, the Organization 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, the Organization 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 with interest accruing at 0.25% per annum, at which time all unpaid principal and interest will be forgiven, if the Organization has complied with all terms of the agreement. As of December 31, 2023, the full \$400,000 was drawn on the loan and remains outstanding. Interest payable on the loan as of December 31, 2023 was \$2,000.

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 8 NET ASSETS

Net assets with donor restrictions as of December 31, 2023 consisted of the following:

Restricted for use in subsequent years:		
United Way allocation	\$	30,000
Other pledges		34,172
Restricted as to purpose:		
Child Enrichment		157,453
Melrose Place		112,222
Capacity Campaign		100,000
Other Shelter		33,805
Transportation		33,540
Capital Improvements		30,414
Pet Program		15,858
Permanent Supportive Housing 1		13,310
Other		10,000
Permanent Supportive Housing 2		5,048
		<u>5,048</u>
	\$	<u>575,822</u>

NOTE 9 DONATED MATERIALS AND CONTRIBUTED SERVICES

Donated materials and services for the year ended December 31, 2023 consist of the following:

IT services	\$	43,260
Gift cards		9,189
		<u>9,189</u>
	\$	<u>52,449</u>

IT services are valued based on an estimate provided directly by the Organization's IT vendor. The IT services were used as follows: 85% program services, 8% fundraising, and 7% management and general. The gift cards are valued based on the fair value of the amount of the gift card provided by the donors. The donated gift cards were used for program services. The donated services and materials are without donor restrictions for 2023.

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 5,244 shelter nights were provided in 2023 at an estimated value of \$40 per person per night for a total estimated value of \$209,760.

NOTE 10 RETIREMENT PLAN

The Organization maintains a Savings Incentive Match Plan for Employees (SIMPLE) IRA for its employees. The Organization matches up to 3% of the employees' regular compensation. Expenses related to the plan were \$20,113 for the year ended December 31, 2023.

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 11 CONDITIONAL CONTRIBUTIONS

The Organization has numerous grants for which the grantor agencies' promises to give are conditioned upon the Organization incurring certain qualifying expenses under the grant programs. At December 31, 2023, the Organization had remaining available award balances on federal and local government conditional grants and contracts of \$1,973,719. These award balances are not recognized as assets and will be recognized as revenue as the conditions are met, generally as qualifying expenses are incurred.

NOTE 12 RELATED PARTY TRANSACTIONS

Sub-Management Agreement

Under a sub-management agreement the Organization manages the rental operations of Melrose IHNGC Limited Partnership. The Organization is entitled to a management fee based on a percentage of income collections and is entitled to reimbursement for personnel and other operating costs incurred to manage the property. Total property management fees and services earned for the year ended December 31, 2023 were \$159,148. Amounts due to the Organization as of December 31, 2023 were \$47,681.

Development Services Agreement

Under the Development Services Agreement for Melrose IHNGC Limited Partnership, the Organization is entitled to approximately \$162,500 of development fees which are earned as performance obligations under the agreement are met. For the year ended December 31, 2023, the Organization recognized developer fees of \$120,004.

NOTE 13 GUARANTY AGREEMENT

In conjunction with the Partnership Agreement for Melrose IHNGC Limited Partnership, the Organization executed a Guaranty Agreement for Melrose IHNGC Limited Partnership that includes the terms below. No amounts have been accrued for at December 31, 2023 related to the Guaranty agreement.

Completion Guarantee

The Partnership Agreement provides for a completion guaranty, whereby the General Partner and the Guarantor, guarantees that the Project will be constructed in accordance with the defined plans and specifications. The guaranty includes funding all amounts incurred to complete construction in excess of existing sources of financing. Any financing arrangements made by the General Partner and the Guarantor and funds advanced under this agreement shall be treated as non-interest bearing loans to the Partnership (as defined by the Partnership Agreement). The General Partner and Guarantor do not receive a fee for providing this guaranty.

Operating Deficit Guaranty

The Partnership Agreement also provides for an operating deficit guaranty, whereby the General Partner and the Guarantors shall be jointly and severally obligated to provide up to \$195,304 (as defined in the Partnership Agreement) to satisfy any operating deficits over a defined period commencing on the final certificate of occupancy date to permit the Partnership to meet all reasonable costs of operations. Such funding shall be treated as non-interest bearing loans to the Partnership (as defined by the Partnership Agreement). The General Partner and the Guarantors do not receive a fee for providing this guaranty.

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 13 GUARANTY AGREEMENT (CONTINUED)

Tax Credit Guaranty

The Partnership is allocated Federal Housing Tax Credits under the program described by IRC Section 42. The Partnership Agreement provides for a credit reduction payment if the total amount of credits obtained is less than the total amount projected, there is a timing difference in the tax credits made available to the Limited Partner when compared to what was projected or the Limited Partner is at any time obligated to recapture credits previously claimed. The Limited Partner shall reduce its required capital contribution by the amount of the shortfall (as defined in the Partnership Agreement).

In the event that the Limited Partner's capital contribution cannot be reduced, the General Partners and the Guarantors, jointly and severally, will pay the Limited Partner for the credits lost. Amounts paid by the General Partners and Guarantors pursuant to this agreement shall be treated as a noninterest bearing loan and payable as cash flow permits as determined by the Partnership Agreement. The General Partners and the Guarantors do not receive a fee for providing this guaranty. There were no credit reduction payments during 2023.

SUPPLEMENTARY INFORMATION

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

Consolidating Statement of Financial Position December 31, 2023

	Found House - Interfaith Housing Network	Melrose Place GP, LLC	2650 Melrose, LLC	Eliminations	Consolidated Total
Assets					
Cash and cash equivalents	\$ 936,958	\$ -	\$ -	\$ -	\$ 936,958
Accounts receivable	49,767	-	-	-	49,767
Grants receivable	314,739	-	-	-	314,739
Pledges receivable	64,172	-	-	-	64,172
Accrued interest receivable	8,000	-	-	-	8,000
Note receivable	400,000	-	-	-	400,000
Property and equipment, net	456,889	-	73,325	-	530,214
Investment in partnerships	652,541	299,704	-	(373,029)	579,216
Total assets	<u>\$ 2,883,066</u>	<u>\$ 299,704</u>	<u>\$ 73,325</u>	<u>\$ (373,029)</u>	<u>\$ 2,883,066</u>
Liabilities and Net Assets					
Liabilities					
Accounts payable	\$ 29,388	\$ -	\$ -	\$ -	\$ 29,388
Interest payable	2,000	-	-	-	2,000
Notes payable	454,500	-	-	-	454,500
Total liabilities	<u>485,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>485,888</u>
Net Assets					
Without donor restrictions	1,821,356	299,704	73,325	(373,029)	1,821,356
With donor restrictions	575,822	-	-	-	575,822
Total net assets	<u>2,397,178</u>	<u>299,704</u>	<u>73,325</u>	<u>(373,029)</u>	<u>2,397,178</u>
Total liabilities and net assets	<u>\$ 2,883,066</u>	<u>\$ 299,704</u>	<u>\$ 73,325</u>	<u>\$ (373,029)</u>	<u>\$ 2,883,066</u>

See independent auditors' report

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

Consolidating Statement of Activities For the Year Ended December 31, 2023

	Found House - Interfaith Housing Network	Melrose Place GP, LLC	2650 Melrose, LLC	Eliminations	Consolidated Total
Revenues, gains (losses) and public support					
Contributions	\$ 1,022,029	\$ -	\$ -	\$ -	\$ 1,022,029
Special events	19,264	-	-	-	19,264
Donated materials and contributed services	52,449	-	-	-	52,449
Government and other grants	3,309,448	-	-	-	3,309,448
Management fee and housing services	159,148	-	-	-	159,148
Developer fee income	120,004	-	-	-	120,004
Miscellaneous income	33,908	-	-	-	33,908
Interest income	16,417	-	-	-	16,417
Loss on investment in partnerships	(7,961)	(296)	-	296	(7,961)
	<u>4,724,706</u>	<u>(296)</u>	<u>-</u>	<u>296</u>	<u>4,724,706</u>
Total revenues, gains (losses) and public support					
	<u>4,724,706</u>	<u>(296)</u>	<u>-</u>	<u>296</u>	<u>4,724,706</u>
Expenses					
Program service	4,274,154	-	-	-	4,274,154
Management and general	230,757	-	-	-	230,757
Fundraising	134,397	-	-	-	134,397
	<u>4,639,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,639,308</u>
Total expenses					
	<u>4,639,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,639,308</u>
Change in net assets	85,398	(296)	-	296	85,398
Net assets, beginning of year	<u>2,311,780</u>	<u>300,000</u>	<u>73,325</u>	<u>(373,325)</u>	<u>2,311,780</u>
Net assets, end of year	<u>\$ 2,397,178</u>	<u>\$ 299,704</u>	<u>\$ 73,325</u>	<u>\$ (373,029)</u>	<u>\$ 2,397,178</u>

See independent auditor's report

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023**

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Passed through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development				
<i>Passed through Strategies to End Homelessness:</i>				
Community Development Block Grants/Entitlement Grants	14.218	20234002	\$ -	\$ 92,392
<i>Passed through Hamilton County, Ohio</i>				
Home Investment Partnership Program Loan	14.239	N/A	-	40,000
<i>Passed through Strategies to End Homelessness:</i>				
Continuum of Care Program	14.267	20220368	-	176,926
Continuum of Care Program	14.267	20230368	-	210,270
Continuum of Care Program	14.267	20220539	-	183,480
Continuum of Care Program	14.267	20230368	-	167,037
Continuum of Care Program	14.267	20220683	-	108,421
Continuum of Care Program	14.267	20230683	-	165,681
Continuum of Care Program	14.267	20220476	-	208,046
Continuum of Care Program	14.267	20230476	-	192,371
Continuum of Care Program	14.267	20220403	-	148,085
Continuum of Care Program	14.267	20230403	-	183,581
Continuum of Care Program	14.267	20230721	-	141,419
Continuum of Care Program	14.267	20220248	-	23,370
Continuum of Care Program	14.267	20230248	-	16,676
Continuum of Care Program	14.267	20220686	-	78,451
Continuum of Care Program	14.267	20230686	-	86,732
Continuum of Care Program	14.267	20220605	-	194,744
Continuum of Care Program	14.267	20230605	-	197,645
Total CFDA 14.267			-	2,482,935
<i>Passed through Strategies to End Homelessness:</i>				
Emergency Solutions Grant Program	14.231	20223008	-	117,287
Emergency Solutions Grant Program	14.231	20233008	-	162,837
Emergency Solutions Grant Program	14.231	20233002	-	26,837
COVID-19 CARES Emergency Solutions Grant Program	14.231	20233061	-	84,500
Total CFDA 14.231			-	391,461
Total U.S. Department of Housing and Urban Development			-	3,006,788
Total Expenditures of Federal Awards			\$ -	\$ 3,006,788

(Continued)

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2023

NOTE 1 BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity of the Organization for the year ended December 31, 2023. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented on this schedule may differ from those amounts presented in, or used in, the preparation of the basic consolidated financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 INDIRECT COST RATE

The Organization has elected not to use the 10% de minimus indirect cost rate allowed under Uniform Guidance.

See Independent Auditors' report

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

To the Board of Directors
Found House-Interfaith Housing Network and Subsidiaries
Cincinnati, Ohio

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 Found House-Interfaith Housing Network (a nonprofit organization) and Subsidiaries (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2023, 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, and have issued our report thereon dated September 30, 2024.

Report on 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) as a basis for designing 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 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 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Found House-Interfaith Housing Network and Subsidiaries' Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 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.



September 30, 2024
Cincinnati, Ohio

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

To the Board of Directors
Found House-Interfaith Housing Network and Subsidiaries
Cincinnati, Ohio

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Found House-Interfaith Housing Network (a nonprofit organization) and Subsidiaries' (collectively, the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2023. 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 our 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, 2023.

Basis of Opinion on Each Major Federal Program

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

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE
(CONTINUED)**

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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.

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.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE
(CONTINUED)**

Report on Internal Control Over Compliance (Continued)

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

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

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

Barnes, Dennig & Co., Ltd.

September 30, 2024
Cincinnati, Ohio

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2023**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes _____ None noted
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ Yes X No

Identification of Major Programs

Federal ALN

Name of Federal Programs or Clusters

14.267

Continuum of Care Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2023

Section II – Financial Statement Findings

Finding 2023-001: Audit Adjustments for Accrual Basis of Accounting

Criteria: The Organization is responsible for establishing and maintaining effective internal control over financial reporting.

Condition and Context: The auditor discovered misstatements impacting the current year consolidated financial statements that were not identified by the Organization's internal controls.

Cause: Turnover within the accounting department and the complexities of the housing project resulted in insufficient recordkeeping and lack of timely review and reconciliation of financial records by those responsible for financial reporting in order to ensure accurate recognition of transactions on the accrual basis of accounting for financial reporting.

Effect: If controls are not in place to ensure the review of financial statements for proper financial reporting, then there could be misstated financial statements.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the Organization establish effective policies and communication and review processes to ensure financial results are recorded on the accrual basis of accounting for financial reporting.

View of Responsible Officials: The Organization agrees with the finding and will implement the recommendation.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable

FOUND HOUSE-INTERFAITH HOUSING NETWORK AND SUBSIDIARIES

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2023**

Reference Number	Summary of Finding	Status
No matters are reportable		

Section I – Summary of Auditor’s Results

Internal control over financial reporting: Significant deficiency identified

Section II – Financial Statement Findings

Finding 2023-001: Audit Adjustments for Accrual Basis of Accounting

Recommendation: We recommend the Organization establish effective policies and communication and review processes to ensure financial results are recorded on the accrual basis of accounting for financial reporting.

Corrective Action Plan:

In response to this Finding, we have already implemented additional procedures as a preventative measure for the future. We have started accruing the Melrose Ops reimbursements and payments are now issued via ACH to FHIHN from Model group resulting in a timelier processing. Additionally, we plan to implement the following items in response to this Finding:

1. Updating our Financial Processes and Procedures to include a formal review of month end closing process. This process will include reconciliation and documentation of a second review of all balance sheet accounts.
2. Updating our Financial Processes and Procedures to include a cut off procedure to ensure financial statements are recorded on the accrual basis of accounting for financial reporting
3. In coordination with our Development team, we will develop a policy for proper tracking of pledges receivable and add it to our Financial Processes and Procedures

Contact Person:

1. Jessica Mount – VP of Operations: jmount@foundhouse.org or 513-471-1100 ext.111
2. Terri Mayle – Accounting Coordinator: tmayle@foundhouse.org or 513-471-1100 ext.114

Anticipated Completion Date:

10/31/2024