

Housing Forward

**Financial Statements with Supplementary Information and
Compliance Reports
December 31, 2023 (with Comparative Consolidated Financial
Statements as of and for the year ended December 31, 2022)**

Housing Forward

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Independent Auditors' Report

To the Board of Directors of
Housing Forward

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Housing Forward (a nonprofit organization) (Organization) which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements. We have also audited the accompanying consolidated financial statements of Housing Forward and Affiliate, which comprise the consolidated statement 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 our opinion, the 2023 financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, 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 (GAAP). Also, in our opinion, the 2022 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Housing Forward and Affiliate as of December 31, 2022, and the results of its operations and its cash flows for the year ended in accordance with GAAP.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Affiliate were not audited in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditors' 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, certain errors in amounts previously reported for grants receivable and revenue as of and for the year ended December 31, 2022 were discovered by management of the Organization during the current year. Accordingly, adjustments have been made to the comparative consolidated financial statements as of and for the year ended December 31, 2022 to correct the errors. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, the Organization changed its method of accounting for the allowance for credit losses effective January 1, 2023 as required by the provisions of Financial Accounting Standards Board Accounting Standard Update 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS 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 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 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 the purpose 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 financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the 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 February 24, 2025 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 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.

A handwritten signature in cursive script that reads "Sutton Frost Cary".

A Limited Liability Partnership

Arlington, Texas
February 24, 2025

Housing Forward
Statement of Financial Position
December 31, 2023

(with Comparative Consolidated Information about Housing Forward and Affiliate as of
December 31, 2022)

	2023	As Restated 2022 (Consolidated)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,815,895	\$ 6,035,848
Grants and accounts receivable	3,525,977	2,457,859
Contributed rent receivable	113,615	250,792
Prepaid expenses	127,110	317,711
Total current assets	6,582,597	9,062,210
Contributed rent receivable, net	359,266	599,396
Right-of-use asset - operating lease, net	567,581	-
Total assets	\$ 7,509,444	\$ 9,661,606
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 540,607	\$ 569,352
Accrued expenses	127,691	70,105
Right-of-use liability - operating lease	103,341	-
Total current liabilities	771,639	639,457
Right-of-use liability - operating lease, net	464,240	-
Total liabilities	1,235,879	639,457
Net assets:		
Without donor restrictions	529,424	276,391
With donor restrictions	5,744,141	8,745,758
Total net assets	6,273,565	9,022,149
Total liabilities and net assets	\$ 7,509,444	\$ 9,661,606

See notes to financial statements.

Housing Forward
Statement of Activities
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions and grant revenue:			
Contributions of financial assets	\$ 1,715,853	\$ 1,609,278	\$ 3,325,131
Contributions of nonfinancial assets	35,763	472,881	508,644
Government grants	8,654,921	-	8,654,921
Special events, net of direct costs of \$20,849	101,457	-	101,457
Net assets released from restriction	5,083,776	(5,083,776)	-
Total contributions and grant revenue	15,591,770	(3,001,617)	12,590,153
Membership and contract fees	177,889	-	177,889
Other	2,990	-	2,990
Total revenue and support	15,772,649	(3,001,617)	12,771,032
Other loss:			
Loss from early termination of donated leases	(731,377)	-	(731,377)
Total revenue, support and other loss	15,041,272	(3,001,617)	12,039,655
Expenses:			
Program services	13,402,752	-	13,402,752
General and administrative	1,234,121	-	1,234,121
Fundraising	151,366	-	151,366
Total expenses	14,788,239	-	14,788,239
Change in net assets	253,033	(3,001,617)	(2,748,584)
Net assets at beginning of year, as restated	276,391	8,745,758	9,022,149
Net assets at end of year	\$ 529,424	\$ 5,744,141	\$ 6,273,565

See notes to financial statements.

Housing Forward and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2022 – As Restated

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions and grant revenue:			
Contributions of financial assets	\$ 619,711	\$ 5,039,395	\$ 5,659,106
Contributions of nonfinancial assets	133,806	492,509	626,315
Government grants	6,301,696	-	6,301,696
Special events, net of direct costs of \$269	43,341	-	43,341
Net assets released from restriction	2,807,748	(2,807,748)	-
Total contributions and grant revenue	9,906,302	2,724,156	12,630,458
Membership and contract fees	179,843	-	179,843
Other	19,092	-	19,092
Total revenue and support	10,105,237	2,724,156	12,829,393
Other loss:			
Loss from joint venture	(14,065)	-	(14,065)
Total revenue, support and other loss	10,091,172	2,724,156	12,815,328
Expenses:			
Program services	9,438,731	-	9,438,731
General and administrative	1,168,584	-	1,168,584
Fundraising	153,814	-	153,814
Total expenses	10,761,129	-	10,761,129
Change in net assets	(669,957)	2,724,156	2,054,199
Net assets at beginning of year	946,348	6,021,602	6,967,950
Net assets at end of year	<u>\$ 276,391</u>	<u>\$ 8,745,758</u>	<u>\$ 9,022,149</u>

See notes to financial statements.

Housing Forward
Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 2,418,946	\$ 462,114	\$ 129,625	\$ 3,010,685
Contract services, consulting and professional fees	565,284	282,844	3,135	851,263
Travel, conferences and meetings	56,844	29,303	653	86,800
Advertising and promotion	-	35	4,542	4,577
Bank and financial services fees	11,761	21,496	-	33,257
Communications and information technology	2,102	37,927	2,130	42,159
Special events	-	-	20,849	20,849
Bad debt	-	14,319	-	14,319
Memberships and subscriptions	938	37,008	4,862	42,808
Miscellaneous	50,268	4,445	-	54,713
Hospitality and entertainment	-	5,255	554	5,809
Insurance	-	18,790	-	18,790
Postage and delivery	-	396	312	708
Printing and copying	-	9,378	5,106	14,484
Occupancy	-	201,203	-	201,203
Supplies	20,774	107,277	447	128,498
Client assistance	10,275,835	2,331	-	10,278,166
Total expenses	13,402,752	1,234,121	172,215	14,809,088
Less expenses included with revenues on the statement of activities				
Direct costs of special events	-	-	(20,849)	(20,849)
Total expenses included in the expense section on the statement of activities	\$ 13,402,752	\$ 1,234,121	\$ 151,366	\$ 14,788,239

See notes to financial statements.

Housing Forward and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	General and Administrative	Fundraising	Total
Personnel	\$ 2,007,300	\$ 449,944	\$ 145,784	\$ 2,603,028
Contract services, consulting and professional fees	823,279	252,580	-	1,075,859
Travel, conferences and meetings	49,629	41,080	501	91,210
Advertising and promotion	-	-	4,137	4,137
Bank and financial services fees	1,204	4,145	-	5,349
Communications and information technology	23,894	36,928	549	61,371
Special events	-	-	269	269
Memberships and subscriptions	4,975	10,897	1,865	17,737
Miscellaneous	2,922	557	200	3,679
Hospitality and entertainment	1,270	10,585	-	11,855
Insurance	-	14,069	-	14,069
Postage and delivery	119	1,359	505	1,983
Printing and copying	2,501	8,970	-	11,471
Occupancy	54,732	252,131	-	306,863
Supplies	6,589	74,634	273	81,496
Depreciation	-	1,382	-	1,382
Client assistance	6,460,317	9,323	-	6,469,640
Total expenses	9,438,731	1,168,584	154,083	10,761,398
Less expenses included with revenues on the statement of activities				
Direct costs of special events	-	-	(269)	(269)
Total expenses included in the expense section on the statement of activities	\$ 9,438,731	\$ 1,168,584	\$ 153,814	\$ 10,761,129

See notes to financial statements.

Housing Forward
Statements of Cash Flows
Year Ended December 31, 2023
(with Comparative Consolidated Information about Housing Forward and Affiliate for the
year ended December 31, 2022)

	2023	As Restated 2022
		(Consolidated)
Cash flows from operating activities:		
Change in net assets	\$ (2,748,584)	\$ 2,054,199
Adjustments to reconcile change in net assets to net cash provided (used) by operations:		
Depreciation	-	1,382
Discount on long-term contribution receivable	66,791	91,818
Amortization of right-of-use asset, operating lease	24,650	-
Loss from early termination of donated leases	731,377	-
Loss from joint venture	-	14,065
Changes in operating assets and liabilities:		
Grants and accounts receivable	(1,068,118)	(1,260,794)
Contributed rent receivable	(420,861)	(309,948)
Prepaid expenses	190,601	(258,163)
Accounts payable	(28,745)	179,123
Accrued expenses	57,586	18,182
Right-of-use liability - operating lease	(24,650)	-
Net cash provided (used) by operating activities	(3,219,953)	529,864
Cash and cash equivalents at beginning of year	6,035,848	5,505,984
Cash and cash equivalents at end of year	\$ 2,815,895	\$ 6,035,848
Supplemental cash flow information:		
Right-of-use asset obtained in exchange for operating lease liability	\$ 592,231	\$ -

See notes to financial statements.

Housing Forward
Statements of Cash Flows
Year Ended December 31, 2023
(with Comparative Consolidated Information about Housing Forward and Affiliate for the
year ended December 31, 2022)

1. Organization

Housing Forward (Organization) is a Texas nonprofit corporation located in Dallas, Texas. It was established and is operated as a member organization composed of a broad spectrum of stakeholders committed to ending homelessness. In 2003, it was designated by the Dallas City Council as the regional authority on homelessness and charged with implementing homeless initiatives in Dallas' 10-Year Plan to End Chronic Homelessness. The Organization is supported by contributions and grants from individuals, companies, foundations and governmental agencies. It also earns fees by providing program services and by fees charged for memberships. During the year ended December 31, 2022, the Organization legally changed its name from Metro Dallas Homeless Alliance.

The Organization accomplishes its purpose through the following programs:

Continuum of Care - The Organization is recognized by the local community and the U.S. Department of Housing and Urban Development (HUD) as the lead agency for the Continuum of Care (CoC) serving Dallas and Collin Counties. As the CoC lead agency, the Organization collaborates with the local CoC board of directors to:

- Operate the Continuum of Care
- Provide for a Homeless Management Information System (HMIS) for the Continuum of Care
- Plan for the Continuum of Care
- Serve as the collaborative applicant for funding

Coordinated Assessment – The Organization provides a telephone helpline for persons facing a housing crisis, conducts a uniformed assessment, makes referrals to the appropriate housing intervention organization through prioritization and makes referrals to service and housing providers in the CoC.

Homeless Management Information System – The Organization administers the HMIS that supports required client and services data collection, reporting and performance evaluation for nearly \$70 million in federal, state, and local programs to prevent and end homelessness.

Resources for Partner Agencies – The Organization oversees funds that are utilized by organizations for direct aid to the homeless within the CoC.

Housing Forward
Statements of Cash Flows
Year Ended December 31, 2023
(with Comparative Consolidated Information about Housing Forward and Affiliate for the
year ended December 31, 2022)

Dallas R.E.A.L Time Rapid Rehousing Initiative – The Organization has partnered with local governments and other nonprofit agencies to use American Rescue Plan Act Funds and private donations to rehouse individuals experiencing homelessness.

Flex Fund – The Organization raises private funds for the Flex Fund, which it administers to pay for minor but impactful expenditures that can end a person’s homelessness, including access to critical documents, security deposits, pet deposits, move-in fees, basic furniture, household items, rental arrears and utility assistance.

MDHA Pebbles, LLC

On February 22, 2010, MDHA Pebbles, LLC (Pebbles) (Affiliate) was formed in the state of Texas, to alleviate poverty and provide housing, shelter and support for independent living directly to the homeless population of Dallas, Texas. The Organization was the sole member of Pebbles until selling its interest in Pebbles during the year ended December 31, 2022.

2. Correction of Error

The Organization’s consolidated financial statements for the year ended December 31, 2022 were restated to properly value grants receivable and revenue as of and for the year then ended. The correction resulted in a net cumulative increase in net assets totaling \$110,360 as of December 31, 2022.

3. Summary of Significant Accounting Policies

Consolidated Financial Statements

In accordance with the provisions of the FASB ASC 958-810 *Not-for-Profit Entities/Consolidations*, the financial statements of Housing Forward and Affiliate as of and for the year ended December 31, 2022 have been consolidated and all inter-organization transactions and accounts have been eliminated. The financial statements of Housing Forward as of and for the year ended December 31, 2023 are no longer consolidated with the Affiliate, as Housing Forward ended its affiliation with Pebbles during the year ended December 31, 2022.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded as incurred.

Housing Forward
Statements of Cash Flows
Year Ended December 31, 2023
(with Comparative Consolidated Information about Housing Forward and Affiliate for the
year ended December 31, 2022)

Financial Statement Presentation

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

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy.

Revenues are reported as increases in assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash Equivalents

Cash equivalents consist of all highly liquid investments purchased with an initial maturity of three months or less.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash, cash equivalents, and grants and accounts receivable. Cash and cash equivalents are placed with high credit quality financial institutions to minimize risk. Grants receivable are unsecured and represent amounts due from government agencies and private grantors. The Organization continually evaluates the collectability of grants receivable and maintains allowances as necessary.

Housing Forward
Statements of Cash Flows
Year Ended December 31, 2023
(with Comparative Consolidated Information about Housing Forward and Affiliate for the
year ended December 31, 2022)

Accounts Receivable are unsecured and are due from various agencies for user fees related to the HMIS system. The collectability of the Organization's receivables is reviewed on an ongoing basis, using an assessment of the current status of individual accounts and current economic conditions. An allowance for credit losses is estimated based upon historical account write-offs trends, facts about the current financial condition of the debtor, and forecasts of future operating results based on current trends and macroeconomic factors. Credit quality is monitored through the timing of payments compared to payment terms and known facts regarding the financial condition of debtors. Accounts receivable balance are charged off against the allowance for credit losses after recovery efforts have ceased. The Organization has determined no allowance for credit losses was considered necessary at December 31, 2023, or 2022.

The Organization maintains cash balances at a financial institution located in Texas. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2023, the Organization's uninsured balances totaled \$2,483,049. The Organization has not experienced any losses on such assets.

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost or if acquired by gift, at the fair value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,000; the fair value of donated property and equipment is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. At December 31, 2022, all property and equipment had been fully depreciated. Depreciation expense totaled \$1,382 for the year ended December 31, 2022.

Investment in Joint Venture

The Organization used the equity method to account for its investment in Pebbles. Under the equity method, the Organization recognized its share of the earnings and losses of the joint venture as they accrued. Advances and distributions were charged and credited directly to the investment account. In January 2022, the Organization sold its investment in Pebbles, resulting in a loss totaling \$14,065 for the year ended December 31, 2022.

Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected.

Housing Forward
Statements of Cash Flows
Year Ended December 31, 2023
(with Comparative Consolidated Information about Housing Forward and Affiliate for the
year ended December 31, 2022)

All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to meeting measurable performance or other barriers are reported as refundable advances. There were no refundable advances at December 31, 2023 and 2022.

Special event revenue is recognized at the time of the event.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performances 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 statements of financial position.

The Organization had remaining available award balances on federal cost-reimbursable grants of \$16,776,271 and \$4,980,926 that have not been recognized as assets at December 31, 2023 and 2022, respectively. The award balances will be recognized as revenue as qualifying expenditures are incurred.

Advertising and Promotion

Advertising and promotion costs are expensed as incurred and totaled \$4,577 and \$4,137 for the years ended December 31, 2023 and 2022, respectively.

Federal Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC). For the years ended December 31, 2023 and 2022, the Organization had no material unrelated business income. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax returns and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service.

Housing Forward
Statements of Cash Flows
Year Ended December 31, 2023
(with Comparative Consolidated Information about Housing Forward and Affiliate for the
year ended December 31, 2022)

Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2023 and 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, depreciation, insurance, communications and information technology, printing and copying, and supplies which are allocated on a square footage basis, as well as personnel, contract services, consulting, and professional fees, which are allocated on the basis of estimates of time and effort.

Estimates and Assumptions

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

Accounting Pronouncements Adopted

The Organization adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Organization’s financial statements but did change how the allowance for credit losses is determined. Due to the nature and terms of the accounts receivables, no allowance was considered necessary.

Housing Forward
Statements of Cash Flows
Year Ended December 31, 2023
(with Comparative Consolidated Information about Housing Forward and Affiliate for the
year ended December 31, 2022)

4. Grants and Accounts Receivable

Grants and accounts receivable consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Grants receivable	\$ 3,498,362	\$ 2,423,080
Accounts receivable	<u>27,615</u>	<u>34,779</u>
	<u>\$ 3,525,977</u>	<u>\$ 2,457,859</u>

Grants and accounts receivable are expected to be collected within the next year.

5. Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Dallas R.E.A.L Time Rapid Housing Initiative	\$4,465,207	\$7,336,440
Time restricted	472,881	850,188
Client Assistance	704,580	395,980
Veteran Assistance	50,468	112,517
Collin County programs	-	50,387
Other	<u>51,005</u>	<u>246</u>
	<u>\$5,744,141</u>	<u>\$8,745,758</u>

6. Related Party Transactions

During the years ended December 31, 2023 and 2022, the Organization received contributions from board members and employees totaling \$25,784 and \$29,577, respectively.

7. Donated Use of Office Space

During the years ended December 31, 2023 and 2022, the Organization entered into new, non-cancelable operating leases expiring at various dates through January 31, 2027. The Organization receives free rent from the landlords, and the fair value of the leased facilities was recorded as contributed nonfinancial assets during the years ended December 31, 2023 and 2022, totaling \$503,844 and \$492,509, respectively. The current year amounts are included in occupancy expense in the accompanying financial statements. The Organization is only required to pay for reimbursement of certain operating expenses.

Housing Forward
Statements of Cash Flows
Year Ended December 31, 2023

(with Comparative Consolidated Information about Housing Forward and Affiliate for the
year ended December 31, 2022)

Effective September 13, 2021, the Organization and a foundation entered into a rent-free lease agreement for land and a building. As provided by the lease agreement, the Organization is required to pay utilities and repairs, maintain certain insurance and must abide by the Wilson Historic Block District Agencies Lease Compliance Expectation. The lease was set to terminate November 30, 2026. However, it was terminated early by the Organization during the year ended December 31, 2023. As such, a loss on termination of donated leases totaling \$731,377 has been recorded in the accompanying statement of activities for the year ended December 31, 2023.

Effective October 1, 2023, the Organization and a company entered into a discounted rent lease agreement for land and a building. The lease expires October 1, 2028 (See Note 9).

The present value of the donated rent through the lease expiration dates was recorded as contribution of nonfinancial assets during the years ended December 31, 2023 and 2022. The outstanding contribution receivable related to the donated space totaled \$472,881 and \$850,188 at December 31, 2023 and 2022, respectively.

8. Contributions of Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets during the year ended December 31, 2023:

	Program	General and Administrative	Fundraising	Total
Rent	\$ -	\$ 503,844	\$ -	\$ 503,844
Services	4,800	-	-	4,800
Total	\$ 4,800	\$ 503,844	\$ -	\$ 508,644

The Organization received the following contributions of nonfinancial assets during the year ended December 31, 2022:

	Program	General and Administrative	Fundraising	Total
Rent	\$ -	\$ 492,509	\$ -	\$ 492,509
Services	4,800	-	129,006	133,806
Total	\$ 4,800	\$ 492,509	\$ 129,006	\$ 626,315

Housing Forward
Statements of Cash Flows
Year Ended December 31, 2023
(with Comparative Consolidated Information about Housing Forward and Affiliate for the
year ended December 31, 2022)

Rent

Contributed rent is valued based on market comparables.

Services

Contributed services are valued at the fair market value that the vendor would have charged if not donated.

9. Lease

In evaluating its contracts, the Organization separately identifies lease and nonlease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its retail spaces. The Organization has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the statement of activities. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses the prime rate less one percent rate based on the information available at the commencement date to determine the present value of lease payments. Prime rates used to determine the present value of lease payments were derived by reference to the interest paid on short-term government debt.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The Organization has elected not to record leases with an initial term of 12 months or less on the balance sheet.

Housing Forward
Statements of Cash Flows
Year Ended December 31, 2023
(with Comparative Consolidated Information about Housing Forward and Affiliate for the
year ended December 31, 2022)

Nature of Lease

The Organization has entered into an operating lease arrangement for office space expiring October 2028. Termination of the lease is generally prohibited unless there is a violation under the lease agreement.

Future minimum lease payments and reconciliations to the statement of activities at December 31, 2023 are as follows for the years ended December 31:

2024	\$ 103,341
2025	141,521
2026	141,521
2027	141,521
2028	<u>144,320</u>
Total future undiscounted lease payments	672,224
Less present value discount	<u>(104,643)</u>
Lease liability, net	<u>\$ 567,581</u>

The following lease cost and required information for the year ended December 31, 2023:

Total lease cost	<u>\$ 35,380</u>
Other information:	
Cash paid for amounts included in the measurement of lease liability:	
Operating cash flows from lease	<u>\$ (24,650)</u>
Right-of-use asset obtained in exchange for new lease liability	<u>\$ 592,231</u>
Weighted-average remaining lease term	<u>4.75 years</u>
Weighted-average discount rate	<u>7.50%</u>

Housing Forward
Statements of Cash Flows
Year Ended December 31, 2023
(with Comparative Consolidated Information about Housing Forward and Affiliate for the
year ended December 31, 2022)

10. Liquidity and Availability of Resources

The Organization’s financial assets available to meet cash needs for general expenditures within one year are as follows at December 31:

	2023	2022
Cash and cash equivalents	\$2,815,895	\$6,035,848
Grants and accounts receivable	3,525,977	2,457,859
Total financial assets	\$6,341,872	\$8,493,707

Receivables are subject to implied time restrictions but are expected to be collected within one year. Amounts restricted for programs that are major and ongoing operations of the Organization are considered available for general expenditures.

11. Concentrations

Grants receivable from three and two grantors accounted for approximately 83% and 93% of the Organization’s grants and accounts receivables at December 31, 2023 and 2022, respectively.

The Organization’s revenue from two governmental units comprised approximately 71% and 48% of total revenue for the years ended December 31, 2023 and 2022, respectively. One private donor comprised approximately 10% of the Organization’s revenues for the year ended December 31, 2022. No such private donor concentrations existed for the year ended December 31, 2023. Although management believes these revenue sources will continue in the near term, it acknowledges that the loss of revenue from these sources could have a materially adverse effect on the Organization’s financial position, activities and cash flows.

12. Subsequent Events

The Organization has evaluated subsequent events after the statement of financial position date through February 24, 2025, the date the financial statements were available to be issued and concluded that no additional disclosures are required.

Housing Forward
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Contract Number	Expenditures	Provided to Subrecipients
U.S. Department of Housing and Urban Development				
Direct Funding:				
Continuum of Care Program	14.267	TX0660H6T002200	\$ 1,335	\$ -
Continuum of Care Program	14.267	TX0617L6T002100	420,086	-
Continuum of Care Program	14.267	TX0405L6T002106	180,865	-
Continuum of Care Program	14.267	TX0679L6T002200	176,150	-
Continuum of Care Program	14.267	TX0405L6T002207	323,624	-
Continuum of Care Program	14.267	TX0404L6T002106	225,223	-
Continuum of Care Program	14.267	TX0404L6T002207	81,689	-
Total Continuum of Care Program			<u>1,408,972</u>	-
Youth Homelessness Demonstration Program	14.276	TX0711Y6T002200	9,562	-
Total U.S. Department of Housing and Urban Development			<u>1,418,534</u>	-
U.S. Department of Treasury				
Passed through City of Dallas:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	OHS-2021-00017109	<u>7,181,297</u>	<u>6,381,483</u>
Total U.S. Department of Treasury			<u>7,181,297</u>	<u>6,381,483</u>
Total Expenditures of Federal Awards			<u>\$ 8,599,831</u>	<u>\$ 6,381,483</u>

See notes to schedule of expenditures of federal awards.

Housing Forward

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Housing Forward (Organization) under programs of the federal government for the year ended December 31, 2023. The information in the 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). 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.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported 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. The Organization has not elected to use the 10 percent de minimis indirect cost rate, and continues to use the cost allocation plan negotiated individually with its grantors, as applicable.

3. Match

The Organization is required to provide 25% matching funds to fulfill its Continuum of Care contracts. These matching funds consist of contributions, fees, in-kind rent and other grants. The Organization claimed the following in matching funds for the following contracts for the year ended December 31, 2023:

CAS	\$ 73,996
CoC	1,000
HMIS	<u>431,343</u>
Total	<u>\$ 506,339</u>

**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***

Board of Directors
Housing Forward

We have audited, 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, the financial statements of Housing Forward (a nonprofit organization) (Organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the 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 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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



A Limited Liability Partnership

Arlington, Texas
February 24, 2025

Independent Auditors' Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Housing Forward

Report on Compliance for the Major Federal Program

Opinion on Each Major Federal Program

We have audited Housing Forward's (a nonprofit organization) (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 auditors' 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 for 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 (GAAS); 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 Auditors' 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.

Auditors' 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 GAAS, *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 GAAS, *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.

We are 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 we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance finding identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

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

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.

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.



A Limited Liability Partnership

Arlington, Texas
February 24, 2025

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	Yes
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Programs</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds
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?	Yes

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

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

Finding 2023-001: Allowable costs and activities – significant deficiency in internal controls over compliance and compliance finding specific to payroll allocation.

Coronavirus State and Local Fiscal Recovery Funds ALN 21.027 (CSLFRF)

Criteria: Housing Forward’s internal control procedures over compliance specify that all employees maintain timesheets and hours and rates per timesheets agree to the payroll register and amount allocated to grant activities.

Condition: During allowable cost and activities testing for the CSLFRF grant, 2 out of 40 timesheets tested did not agree to the number of hours charged to the grant.

Cause: Although the 2 timesheets were filled out completely, signed and reviewed by a supervisor, there was an error in the data entry into the accounting software. Amounts were calculated correctly, but inadvertently assigned to the wrong grant. General ledger detail was provided to the funder as part of the monthly reporting, but neither the funder nor Housing Forward staff noticed this error.

Effect: Housing Forward’s reporting of grant time and effort was not fully documented, in accordance with internal control over compliance procedures, due to data entry error. The cumulative effect of the exceptions noted during testing resulted in the grant being overcharged by Housing Forward.

Questioned Costs: Known questioned costs totaling \$2,864.86 with likely questioned costs totaling \$32,206.61 based on extrapolating the known overcharged amount to the entire payroll population for the year of audit.

Recommendation: Management should ensure amount charged to the grants agree to the timesheets and payroll registers before the request for reimbursement is submitted.

Management’s Response: See corrective action plan

Section IV – Summary of Prior Year Audit Findings

None

February 21, 2025

Below is Housing Forward's response to the audit finding for fiscal year 1/1/2023 through 12/31/2023.

Federal Award Finding

Finding 2023-001: Allowable costs and activities – significant deficiency in internal controls over compliance and compliance finding specific to payroll allocation.

- Funding Source: Coronavirus State and Local Fiscal Recovery Funds ALN 21.027 (CSLFRF).
- Condition: During allowable cost and activities testing for the CSLFRF grant, 2 out of 40 timesheets tested did not agree to the number of hours charged to the grant.
- Cause: Although the 2 timesheets were filled out completely, signed and reviewed by a supervisor, there was an error in the data entry into the accounting software. Amounts were calculated correctly but inadvertently assigned to the wrong grant. GL detail was provided to the funder as part of the monthly reporting, but neither the funder nor Housing Forward staff noticed this error.
- Management's Response: Management understands the importance of correctly charging time to funders. Housing Forward will continue its timesheet review process and utilize employee timesheets that clearly indicate funding sources and allocate payroll costs based on these records. Housing Forward will implement a second review of the payroll entry **at the time it is entered into the accounting system** to ensure that errors are corrected before payroll costs are charged to funders. This began in January 2025. The second reviewer will be the VP of Finance/CFO or her designee. In later FY25 the organization also plans to implement a timekeeping software that integrates with the accounting software to prevent future data entry errors.

Sincerely,

Sarah Kahn

Sarah Kahn
President & CEO