CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

HOUSING FIRST STEPS FORWARD, INC. AND SUBSIDIARIES

December 31, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Housing First Steps Forward, Inc. and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Housing First Steps Forward, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Housing First Steps Forward, Inc. and Subsidiaries as of December 31, 2020 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.

Report on Summarized Comparative Information

We have previously audited Housing First Steps Forward, Inc. and Subsidiaries' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other 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 and Consolidating Statement of Activities and Changes in Net Assets are presented for additional analysis and are not a required part of the consolidated financial statements. The accompanying Schedule of Expenditures of State Financial Assistance, as required by chapter 10.650, *Rules of the Florida Auditor General* is presented for 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 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 information is 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 25, 2021, on our consideration of Housing First Steps Forward, Inc. and Subsidiaries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing First Steps Forward, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Bruno, Gordinier & Company, P.A.

Tampa, Florida
September 25, 2021

Housing First Steps Forward, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2020
(With comparative total for 2019)

	2020			Total
	Without donor restrictions	With donor restrictions	Total	December 31, 2019
ASSETS				
Current assets				
Cash (note A6)	$ 121,898	$ -	$ 121,898	$ 93,252
Accounts receivable (note A7)	52,242	-	52,242	20,368
Total current assets	174,140	-	174,140	113,620
Tenant deposits held in trust	64,454	-	64,454	66,354
Replacement reserve (note A12)	87,363	-	87,363	57,984
Property, improvements and equipment, net (notes A8 and C)	4,462,197	1,705,967	6,168,164	6,259,799
Other assets				
Deposits	6,081	-	6,081	6,081
Total assets	$ 4,794,235	$ 1,705,967	$ 6,500,202	$ 6,503,838
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	$ 67,385	$ -	$ 67,385	$ 62,371
Current portion of mortgages payable (note E)	150,298	-	150,298	143,102
Due to related party (note D)	465,941	-	465,941	360,154
Deferred rent revenue (note A13)	7,942	-	7,942	25,532
Total current liabilities	691,566	-	691,566	591,159
Long-term liabilities				
Mortgages payable, less current maturities (note E)	3,361,459	-	3,361,459	3,503,960
Tenant deposits	64,454	-	64,454	66,354
Total long-term liabilities	3,425,913	-	3,425,913	3,570,314
Total liabilities	4,117,479	-	4,117,479	4,161,473
Net assets (note A10 and note H)				
Without donor restrictions	676,756	-	676,756	461,798
With donor restrictions	-	1,705,967	1,705,967	1,880,567
Total net assets	676,756	1,705,967	2,382,723	2,342,365
Total liabilities and net assets	$ 4,794,235	$ 1,705,967	$ 6,500,202	$ 6,503,838

The accompanying notes are an integral part of this consolidated statement.

Housing First Steps Forward, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2020
(With comparative total for 2019)

	2020			
	Without donor restrictions	With donor restrictions	Total	Total December 31, 2019
OPERATING REVENUES				
Rental income	$ 1,166,963	$ -	$ 1,166,963	$ 1,118,290
Board donations	30,000	-	30,000	30,000
Direct public support	1,000	-	1,000	6,363
Miscellaneous income	30,366	-	30,366	6,460
Total operating revenue	1,228,329	-	1,228,329	1,161,113
Net assets released from restrictions	174,600	(174,600)	-	-
Total revenue	1,402,929	(174,600)	1,228,329	1,161,113
OPERATING EXPENSES				
Administrative expenses	180,639	-	180,639	114,566
Operating and maintenance expenses	649,180	-	649,180	744,624
Interest expense	190,017	-	190,017	198,488
Depreciation expense	168,135	-	168,135	183,009
Total operating expenses	1,187,971	-	1,187,971	1,240,687
CHANGE IN NET ASSETS	214,958	(174,600)	40,358	(79,574)
Net assets at beginning of year	461,798	1,880,567	2,342,365	2,421,939
Net assets at end of year	$ 676,756	$ 1,705,967	$ 2,382,723	$ 2,342,365

The accompanying notes are an integral part of this consolidated statement.

Housing First Steps Forward, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

Cash flows from operating activities		
Change in net assets	$	40,358
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization		174,044
Increase in accounts receivable		(31,874)
Increase in accounts payable and accrued expenses		5,014
Decrease in deferred rent revenue		(17,590)
Total adjustments		129,594
Net cash provided by operating activities		169,952
Cash flows from investing activities		
Purchase of property, improvements and equipment		(76,500)
Net deposits to reserve for replacements and interest retained in account		(29,379)
Net cash used by investing activities		(105,879)
Cash flows from financing activites		
Net increase in due to related party		105,787
Payments on mortgages payable		(141,214)
Net cash used by financing activities		(35,427)
Net increase in cash and cash equivalents		28,646
Cash and cash equivalents at beginning of year		93,252
Cash and cash equivalents at end of year	$	121,898
Supplemental disclosures of cash flow information		
Cash paid during the year		
Interest	$	172,110
Taxes	$	-

The accompanying notes are an integral part of this consolidated statement.

Housing First Steps Forward, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A brief description of Housing First Steps Forward, Inc. and Subsidiaries (the "Organization") and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Nature of the Organization

Housing First Steps Forward, Inc. ("HFSF, Inc.") was incorporated under the laws of the State of Florida on June 26, 2013 as a Florida non-profit corporation. HFSF, Inc.'s mission is to offer permanent housing and support services for the chronically homeless adult population in Hillsborough County by opening five hundred apartment units over a five year period. In 2015, the Organization received funding through the City of Tampa, Florida and Hillsborough County, Florida to acquire and develop foreclosed properties under the State Housing Initiatives Partnership (SHIP) Program pursuant to Section 420.907 through 420.9079 of the Florida Statutes. In 2017 and 2018, the Organization received funding through the Tampa Hillsborough Homeless Initiative, Inc. to acquire and develop foreclosed properties under the Local Economic Development Initiatives Program.

HFSF 1, LLC is a wholly owned subsidiary of HFSF, Inc. which operates a twenty unit apartment complex in Tampa, Florida ("Orchid Cove"). Orchid Cove commenced renting apartment units in 2014. The apartment units are rented to persons of very low or no income.

HFSF 2, LLC is a wholly owned subsidiary of HFSF, Inc. which operates a forty-seven unit apartment complex in Tampa, Florida ("Southland"). Southland commenced renting apartment units in 2015. Under the terms of the funding agreements with the City of Tampa, Florida and Hillsborough County, Florida, the apartment units are rented to persons of very low or no income.

HFSF 3, LLC is a wholly owned subsidiary of HFSF, Inc. which operates a thirty-six unit apartment complex in Tampa, Florida ("Manchester"). Manchester commenced renting apartment units in 2016. In accordance with HFSF, Inc.'s mission statement, the apartment units are rented to persons of very low or no income.

HFSF 4, LLC is a wholly owned subsidiary of HFSF, Inc., which operates a twenty-four unit apartment complex in Tampa, Florida ("Greenwood"). Greenwood commenced renting apartment units in 2018. In accordance with HFSF, Inc.'s mission statement, the apartment units are rented to persons of very low or no income.

The accompanying consolidated financial statements include the accounts of Housing First Steps Forward, Inc. and its wholly owned subsidiaries, HFSF 1, LLC, HFSF 2, LLC, HFSF 3, LLC and HFSF 4, LLC (collectively, the "Organization"). Significant intercompany accounts and transactions have been eliminated in consolidation.

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Organization's revenues are primarily derived from rental income received from the tenants and governmental grants.

The Organization uses an unrelated third-party management agent to handle the day to day operations of Orchid Cove, Southland, Manchester and Greenwood. Fees paid to the management agent are based on contracted rates.

2. Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and are prepared under the guidance of the Financial Accounting Standards Board *Accounting Standards Codification ("FASB ASC")*.

3. Change in Accounting Principle

In 2020, the Organization adopted the provisions of FASB ASU 2018-13, Fair Value Measurement (Topic 820) Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. Adoption of this pronouncement had no effect on the Organization's current or previously issued financial statements. As such, prior period financial statements were not restated and there was no cumulative effect adjustment upon adoption.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Liquidity

Assets and liabilities are presented in the accompanying statement of financial position according to their nearness of conversion to cash and, their maturity and resulting use of cash, respectively. See note B for more information on liquidity and availability of assets.

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

6. Cash, Cash Equivalents and Concentration of Credit Risk

The Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents. Financial instruments that potentially subject the Organization to Concentrations of credit risk are primarily cash and accounts receivable. The Organization's cash deposits are placed in financial institutions which at times may exceed the Federal Deposit Insurance Corporation (FDIC) coverage. The Organization has not experienced any losses in its cash accounts and does not believe it is exposed to any significant credit risks related to uninsured amounts.

7. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Uncollectible amounts are directly written off through a charge to bad debt expense and a credit to accounts receivable. Management does not provide for a provision to a valuation allowance against probable uncollectible amounts because such uncollectible amounts are determined to be immaterial to the consolidated financial statements.

8. Property and Improvements

Property and improvements are recorded and presented at cost. Depreciation is calculated by the straight-line method over the estimated useful life of the assets. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the change in net assets for the current period. The cost of maintenance, repairs and recurring replacements is expensed as incurred. However, significant betterments of $500 or more are capitalized.

Contributed assets are recorded at their estimated fair value at the date of contribution. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Repairs and maintenance costs are expensed as incurred.

9. Deferred Rent Revenue

Rental payments are recognized as revenue in the applicable rental period. Rental payments collected in advance are recorded as deferred rent and recognized as income in the subsequent period.

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

11. Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized. Time-restricted contributions are required to be reported as net assets with donor restrictions and are then reclassified to net assets without donor restrictions upon expiration of the time restriction.

12. Replacement Reserve

Replacement reserve represents funds which have been designated to be used for replacement of property, improvements and equipment.

13. Revenues and Expense Recognition

Revenues from the rental of apartments are recognized on the first day of the month for which rent is due. Expenses are recognized as incurred.

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

14. Income Taxes

The Organization has been recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively. Accordingly, no provision for income taxes has been recorded in these financial statements. The Organization has not reported any unrelated business income; however, such status is subject to final determination upon examination, if any, of the related income tax returns by the appropriate taxing authorities.

The Organization is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years since 2017 remain subject to examination by federal and state taxing authorities.

15. Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

NOTE B - LIQUIDITY AND AVAILABILITY

At December 31, 2020 the Organization has $174,140 of financial assets available to meet needs for general expenditures consisting of cash of $121,898 and tenant accounts receivable of $52,242. None of the financial assets are subject to donor or other contractual restrictions. Accordingly, all such funds are available to meet the cash needs of the Organization in the next 12 months. In addition, the Organization may maintain funds in a reserve for replacement. These funds are used for the benefit of the tenants and/or Organization. The funds may be withdrawn only with the approval of lender. Such funds are not considered by the Organization to have donor-restrictions.

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Organization are expected to be met on a monthly basis from the rents of the Organization's units. In general, the Organization maintains sufficient financial assets on hand to meet 30 days of normal operating expenses.

NOTE C - PROPERTY, IMPROVEMENTS AND EQUIPMENT

Property, improvements and equipment consist of the following at December 31, 2020:

Land	$ 1,146,957
Building	4,948,237
Building improvements	883,737
Furniture and equipment	57,281
	7,036,212
Less accumulated depreciation	(868,048)
	$ 6,168,164

Depreciation expense for the year ended December 31, 2020 was $168,135.

NOTE D - DUE TO RELATED PARTY

The amounts due to related party consisted of the following at December 31, 2020:

Promissory note due to a related party, interest accrues monthly at a variable rate, which is 2.64% at December 31, 2020, collateralized by land and building, due on demand	$ 465,941

Interest expense incurred for amounts owed to the related party approximated $12,000 for the year ended December 31, 2020.

NOTE E - MORTGAGES PAYABLE

Mortgages payable consisted of the following at December 31, 2020:

Mortgage note payable, monthly payment of $3,340 including interest at 4.5%, secured by property, maturing in April 2022	$ 420,605
Mortgage note payable, monthly payment of $10,326 including interest at 4.5%, secured by property, maturing in April 2026	1,364,485
Mortgage note payable, monthly payment of $7,163 including interest at 4.75%, secured by property, maturing in January 2023	999,631
Mortgage note payable, monthly payment of $5,209 including interest at 4.75%, secured by property, maturing in January 2024	754,710
Total long-term debt	3,539,431
Less current maturities	(150,298)
Less unamortized loan acquisitions costs	(27,674)
Long-term maturities	$ 3,361,459

The aggregate maturities of mortgages payable for each of the next five years subsequent to December 31, 2020 and thereafter are as follows:

Year ending December 31,	
2021	$ 150,298
2022	534,439
2023	1,019,420
2024	740,616
2025	75,528
Thereafter	1,019,130
	$ 3,539,431

NOTE F - DEFERRED MORTGAGES AND NOTES PAYABLE

The Organization obtained a $250,000 deferred mortgage promissory note from the City of Tampa, Florida under the terms of the State Housing Initiatives Partnership (SHIP) Program. Under the terms of this agreement, as long as the Organization is not in default of any provisions of the related loan document, the loan bears no stated interest rate nor requires principal repayments.

NOTE F - DEFERRED MORTGAGES AND NOTES PAYABLE- Continued

Repayment of the principal balance is deferred until the mortgage loan matures in May 2036, at which time the full balance will be forgiven in accordance with the program. The loan is secured by a mortgage on the underlying property. These funds were recognized as a donor restricted contribution of $250,000 as of the date of issuance, rather than as a liability due to the intent to operate the property during the mortgage period as stipulated in the agreement. The debt is expected to be forgiven at maturity. The aggregate maturities of long-term debt are zero for each of the five years subsequent to December 31, 2020. Prior to the consideration of amount forgiven, $250,000 would be due in 2036.

The Organization obtained a $250,000 deferred mortgage promissory note from Hillsborough County, Florida under the terms of the State Housing Initiatives Partnership (SHIP) Program. Under the terms of this agreement, as long as the Organization is not in default of any provisions of the related loan document, the loan bears no stated interest rate nor requires principal repayments. Repayment of the principal balance is deferred until the mortgage loan matures in May 2036, at which time the full balance will be forgiven in accordance with the program. The loan is secured by a mortgage on the underlying property. These funds were recognized as a donor restricted contribution of $250,000 as of the date of issuance, rather than as a liability due to the intent to operate the property during the mortgage period as stipulated in the agreement. The debt is expected to be forgiven at maturity. The aggregate maturities of long-term debt are zero for each of the five years subsequent to December 31, 2020. Prior to the consideration of amount forgiven, $250,000 would be due in 2036.

The Organization obtained a $600,000 deferred note payable from Tampa Hillsborough Homeless Initiative, Inc. through a local funding agreement. Under the terms of this agreement, as long as the Organization is not in default of any provisions of the related loan document, the loan bears no stated interest rate nor requires principal payments. Repayment of the principal balance is deferred for a ten year period with the following terms; after an initial term of five years, repayment of the principal balance will be reduced by 20% for each of the next five years, upon which the full balance will be forgiven in accordance with the loan agreement in October 2025. These funds were recognized as a donor restricted contribution of $600,000 as of the date of the issuance, rather than as a liability due to the intent to operate the property during the loan period as stipulated in the agreement. The debt is expected to be forgiven at maturity. The aggregate maturities of long-term debt are zero for each of the five years subsequent to December 31, 2020.

The Organization obtained a $744,000 deferred note payable from Tampa Hillsborough Homeless Initiative, Inc. through a local funding agreement. Under the terms of this agreement, as long as the Organization is not in default of any provisions of the related loan document, the loan bears no stated interest rate nor requires principle payments. Repayment of the principal balance is deferred for a fifteen year period with the following terms; after an initial term of five years, repayment of the principal balance will be reduced by 10% for each of the next ten years, upon which the full balance will be forgiven in accordance with the loan agreement in April 2032.

NOTE F - DEFERRED MORTGAGES AND NOTES PAYABLE- Continued

These funds were recognized as a donor restricted contribution of $744,000 as of the date of the issuance, rather than as a liability due to the intent to operate the property during the loan period as stipulated in the agreement. The debt is expected to be forgiven at maturity. The aggregate maturities of long-term debt are zero for each of the five years subsequent to December 31, 2020. Prior to the consideration of amount forgiven, $744,000 would be due in 2032.

The Organization obtained a $600,000 deferred note payable from Tampa Hillsborough Homeless Initiative, Inc. through a local funding agreement. Under the terms of this agreement, as long as the Organization is not in default of any provisions of the related loan document, the loan bears no stated interest rate nor requires principle payments. Repayment of the principal balance is deferred for a fifteen year period with the following terms; after an initial term of five years, repayment of the principal balance will be reduced by 10% for each of the next ten years, upon which the full balance will be forgiven in accordance with the loan agreement in April 2033. These funds were recognized as a contribution with donor restriction of $600,000 as of the date of the issuance, rather than as a liability due to the intent to operate the property during the loan period as stipulated in the agreement. The debt is expected to be forgiven at maturity. The aggregate maturities of long-term debt are zero for each of the five years subsequent to December 31, 2020. Prior to the consideration of amount forgiven, $600,000 would be due in 2033.

NOTE G - RENTAL RATES

Under the terms of the deferred mortgage payment agreement with the City of Tampa, Florida and Hillsborough County, Florida, the Organization is limited to the amount they may charge for rental of the apartment units based on the rates established by the Florida Housing Finance Corporation rent limit chart for the SHIP Program. These rent limits are updated annually.

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of funds received for purchase of supportive housing facilities. These funds are subject to time restrictions due to mortgage loans and deferred notes payable that were consummated at the time of the contribution (see note F). The time restrictions expire on a straight-line basis over the term of the underlying loan agreements. The balance of the net assets with donor restriction was $1,705,967 as of December 31, 2020.

NOTE I - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Organization's programs have been summarized in the accompanying statement of activities and changes in net assets. The functional allocation of costs between program and management activities follows:

	Program Services	Management and General	Total
Salaries and benefits	$ 123,740	$ 36,313	$ 160,053
Administrative and office	4,336	48,280	52,616
Insurance	95,766	487	96,253
Legal and accounting	-	34,349	34,349
Management fees	-	71,015	71,015
Property taxes	4,616	-	4,616
Travel	3,765	1,243	5,008
Occupancy	217,342	-	217,342
Repairs and maintenance	188,567	-	188,567
Total costs of operations before interest, depreciation and amortization	638,132	191,687	829,819
Interest	190,017	-	190,017
Depreciation and amortization	168,135	-	168,135
Total expenses	$ 996,284	$ 191,687	$ 1,187,971

Directly identifiable expenses are charged to program and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

NOTE J - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to December 31, 2020 as of September 25, 2021, which is the date the financial statements were available to be issued.

COMPLIANCE REPORTS

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*

HOUSING FIRST STEPS FORWARD, INC. AND SUBSIDIARIES

December 31, 2020

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To the Board of Directors of
Housing First Steps Forward, Inc. and Subsidiaries

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 Housing First Steps Forward, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 25, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Housing First Steps Forward, Inc. and Subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing First Steps Forward, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Housing First Steps Forward, Inc. and Subsidiaries' internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing First Steps Forward, Inc. and Subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 Housing First Steps Forward, Inc. and Subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bueno, Gordimer & Company, P.A.

Tampa, Florida
September 25, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL*

HOUSING FIRST STEPS FORWARD, INC. AND SUBSIDIARIES

December 31, 2020

RIVERO, GORDIMER & COMPANY, P.A.

CPAS AND ADVISORS

Member
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Herman V. Lazzara
Marc D. Sasser
Sam A. Lazzara
Kevin R. Bass
Jonathan E. Stein
Cesar J. Rivero, in Memoriam (1942-2017)
Stephen G. Douglas
Michael E. Helton
Christopher F. Terrigino
James K. O'Connor
David M. Bohnsack

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL*

Board of Directors
Housing First Steps Forward, Inc. and Subsidiaries

Report on Compliance for Each Major State project

We have audited Housing First Steps Forward, Inc. and Subsidiaries' compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of Housing First Steps Forward, Inc. and Subsidiaries' major state projects for the year ended December 31, 2020. Housing First Steps Forward, Inc. and Subsidiaries' major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal and state statutes, regulations, and the terms and conditions of its state projects applicable to its state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing First Steps Forward, Inc. and Subsidiaries' major state projects based on our audit of the types of compliance requirements referred to above. 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 Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about Housing First Steps Forward, Inc. and Subsidiaries' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of Housing First Steps Forward, Inc. and Subsidiaries' compliance.

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Opinion on Each Major State Project

In our opinion, Housing First Steps Forward, Inc. and Subsidiaries 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 state projects for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Housing First Steps Forward, Inc. and Subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Housing First Steps Forward, Inc. and Subsidiaries' internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Housing First Steps Forward, Inc. and Subsidiaries' 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 state project 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 state project 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 state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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 Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Bruce, Jardinier & Company, P.A.

Tampa, Florida
September 25, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HOUSING FIRST STEPS FORWARD, INC. AND SUBSIDIARIES

For the year ended December 31, 2020

Housing First Steps Forward, Inc. and Subsidiaries

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	yes	X no
Significant deficiency(ies) identified?	yes	X none reported
Noncompliance material to financial statements noted?	yes	X no

State Financial Assistance

Internal control over major projects:		
Material weakness(es) identified?	yes	X no
Significant deficiency(ies) identified?	yes	X none reported
Type of auditors' report issued on compliance for major projects:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.656	yes	X no

Identification of major state projects:

CSFA Number	Name of State Project
40.012	Local Economic Development Initiatives
40.091	State Housing Initiatives Partnership Program (SHIP)

Dollar threshold used to distinguish between type A and type B state projects: $ 448,200

Section II - Financial Statement Findings

No matters were reported for the year ended December 31, 2020

Section III - State Financial Assistance Findings and Questioned Costs

No matters were reported for the year ended December 31, 2020

Other Issues

A Summary Schedule of Prior Audit Findings is not required because there were no prior year audit findings related to State projects (see AG Rules 10.557(3)(e)5. and 10.656(3)(d)5.)

SUPPLEMENTARY INFORMATION

CONSOLIDATED SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

HOUSING FIRST STEPS FORWARD, INC. AND SUBSIDIARIES

For the year ended December 31, 2020

Housing First Steps Forward, Inc. and Subsidiaries

CONSOLIDATED SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the year ended December 31, 2020

State Grantor/Pass-through Grantor/Program or Cluster Title	State CSFA #	Pass-through Entity Identifying Number	Passed-through to Subrecipients	State Expenditures
Florida Housing Finance Corporation				
Indirect Projects				
Passed-through City of Tampa, Florida State Housing Initiatives Partnership Program (SHIP)	40.901	Capital Advance Non-Amortizing Mortgage	$ -	$ 250,000
Passed-through Hillsborough County, Florida State Housing Initiatives Partnership Program (SHIP)	40.901	Capital Advance Non-Amortizing Mortgage	-	250,000
Total Florida Housing Finance Corporation - Indirect Projects			-	500,000
Passed-through Florida Department of Economic Opportunity Local Economic Development Initiatives	40.012	Capital Advance Non-Amortizing Mortgage	-	744,000
Passed-through Florida Department of Economic Opportunity Local Economic Development Initiatives	40.012	Capital Advance Non-Amortizing Mortgage	-	250,000
Total Department of Economic Opportunity - Indirect Projects			-	994,000
Total expenditures of state financial assistance			$ -	$ 1,494,000

The accompanying notes are an integral part of this consolidated schedule.

Housing First Steps Forward, Inc. and Subsidiaries

NOTES TO CONSOLIDATED SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the year ended December 31, 2020

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance (the "Schedule") includes the State project activity of Housing First Steps Forward, Inc. and Subsidiaries under programs of the State of Florida for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Florida Auditor General*. Because the Schedule presents only a selected portion of the operations of Housing First Steps Forward, Inc. and Subsidiaries, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Housing First Steps Forward, Inc. and Subsidiaries.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

NOTE C - CAPITAL ADVANCE, NON-AMORTIZING MORTGAGE

The Capital Advance, Non-Amortizing Mortgage is administered directly by Housing First Steps Forward, Inc. and Subsidiaries, and balances and transactions relating to this program are included in Housing First Steps Forward, Inc. and Subsidiaries' consolidated financial statements. The value of the Capital Advance, Non-Amortizing Mortgage received during the year is included in the State expenditures presented in the Schedule. The balance of the mortgage outstanding at December 31, 2020 is $1,494,000. As long as Housing First Steps Forward, Inc. and Subsidiaries remains qualified under the Florida Housing Finance Corporation, *State Housing Initiatives Partnership Program (SHIP)* and *Local Economic Development Initiatives Program,* repayment of the principal balance on the mortgage is deferred until final maturity in 2036 and 2032, respectively. At that time, the mortgage will be forgiven.

Housing First Steps Forward, Inc. and Subsidiaries

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2020

	Housing First Steps Forward, Inc.	HFSF 1, LLC (Orchid Cove)	HFSF 2, LLC (Southland)	HFSF 3, LLC (Manchester)	HFSF 4, LLC (Greenwood)	Consolidated Total
ASSETS						
Current assets						
Cash	$ 64,324	$ 1,440	$ 26,273	$ 2,164	$ 27,697	$ 121,898
Accounts receivable	-	10,107	8,076	12,887	21,172	52,242
Total current assets	64,324	11,547	34,349	15,051	48,869	174,140
Tenant deposits held in trust	-	5,704	33,513	17,408	7,829	64,454
Replacement reserve	-	18,646	55,451	10,766	2,500	87,363
Property, improvements and equipment, net	-	819,295	2,396,809	1,670,990	1,281,070	6,168,164
Other assets						
Deposits	-	-	1,411	2,920	1,750	6,081
Total assets	$ 64,324	$ 855,192	$ 2,521,533	$ 1,717,135	$ 1,342,018	$ 6,500,202
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued expenses	$ 11,934	$ 5,875	$ 10,949	$ 31,750	$ 6,877	$ 67,385
Current portion of mortgages payable	-	21,315	62,956	38,671	27,356	150,298
Due to related party	-	-	-	389,441	76,500	465,941
Deferred rent	-	321	2,361	3,736	1,524	7,942
Total current liabilities	11,934	27,511	76,266	463,598	112,257	691,566
Long-term liabilities						
Mortgages payable, less current maturities	-	397,604	1,293,455	954,436	715,964	3,361,459
Tenant deposits	-	5,704	33,513	17,408	7,829	64,454
Total long-term liabilities	-	403,308	1,326,968	971,844	723,793	3,425,913
Total liabilities	11,934	430,819	1,403,234	1,435,442	836,050	4,117,479
Net assets						
Without donor restrictions	52,390	424,373	467,799	(280,440)	12,634	676,756
With donor restrictions	-	-	650,500	562,133	493,334	1,705,967
Total net assets	52,390	424,373	1,118,299	281,693	505,968	2,382,723
Total liabilities and net assets	$ 64,324	$ 855,192	$ 2,521,533	$ 1,717,135	$ 1,342,018	$ 6,500,202

Housing First Steps Forward, Inc. and Subsidiaries

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2020

	Housing First Steps Forward, Inc.	HFSF 1, LLC (Orchid Cove)	HFSF 2, LLC (Southland)	HFSF 3, LLC (Manchester)	HFSF 4, LLC (Greenwood)	Consolidated Total
OPERATING REVENUES						
Rental income	$ -	$ 186,055	$ 435,656	$ 317,449	$ 227,803	$ 1,166,963
Board donations	30,000	-	-	-	-	30,000
Direct public support	1,000	-	-	-	-	1,000
Miscellaneous income	109	204	6,874	-	23,179	30,366
Total operating revenue	31,109	186,259	442,530	317,449	250,982	1,228,329
OPERATING EXPENSES						
Administrative expenses	26,276	20,520	47,080	45,360	41,403	180,639
Operating and maintenance expenses	19,984	135,730	216,765	192,034	84,667	649,180
Interest expense	1,742	21,207	68,327	60,870	37,871	190,017
Depreciation and amortization expense	-	12,615	81,636	41,280	32,604	168,135
Total operating expenses	48,002	190,072	413,808	339,544	196,545	1,187,971
CHANGE IN NET ASSETS	(16,893)	(3,813)	28,722	(22,095)	54,437	40,358
Net assets at beginning of year	29,423	431,186	1,104,158	328,078	449,520	2,342,365
Net asset contributions/(distributions)	39,860	(3,000)	(14,581)	(24,290)	2,011	-
Net assets at end of year	$ 52,390	$ 424,373	$ 1,118,299	$ 281,693	$ 505,968	$ 2,382,723