CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

HOUSING FIRST STEPS FORWARD, INC. AND SUBSIDIARIES

December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

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, 2023, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Housing First Steps Forward, Inc. and Subsidiaries 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

Emphasis of Matter – Restatement

As discussed in Note A15 to the financial statements, Housing First Steps Forward, Inc. and Subsidiaries has restated its previously issued financial statements to correct a material misstatement in the net assets as of December 31, 2022. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Housing First Steps Forward, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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 Housing First Steps Forward, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Housing First Steps Forward, Inc. and Subsidiaries' 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 Housing First Steps Forward, Inc. and Subsidiaries' 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 and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.650 Rules of the Auditor General, is presented for purposes of additional analysis and

is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Consolidating 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 purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating 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 30, 2024 on our consideration of the Housing First Steps Forward, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing First Steps Forward, Inc. and Subsidiaries' 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 Housing First Steps Forward, Inc. and Subsidiaries' internal control over financial reporting and compliance.



Tampa, Florida
September 30, 2024

Housing First Steps Forward, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2023

	Without donor restrictions	With donor restrictions	Total
ASSETS			
Current assets			
Cash (note A6)	$ 203,899	$ -	$ 203,899
Accounts receivable (note A7)	74,078	-	74,078
Total current assets	277,977	-	277,977
Tenant deposits held in trust	103,121	-	103,121
Replacement reserve (note A12)	181,917	-	181,917
Property, improvements and equipment, net (notes A8 and C)	5,767,032	6,599,279	12,366,311
Deposits	6,081	-	6,081
Total assets	$ 6,336,128	$ 6,599,279	$ 12,935,407
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued expenses	$ 206,154	$ -	$ 206,154
Current portion of mortgages payable (note E)	154,788	-	154,788
Due to related party (note D)	903,033	-	903,033
Deferred revenues	35,168	-	35,168
Total current liabilities	1,299,143	-	1,299,143
Long-term liabilities			
Mortgages payable, less current maturities (note E)	4,144,275	-	4,144,275
Tenant deposits	103,121	-	103,121
Total long-term liabilities	4,247,396	-	4,247,396
Total liabilities	5,546,539	-	5,546,539
Net assets (note A10 and note H)			
Without donor restrictions	789,589	-	789,589
With donor restrictions	-	6,599,279	6,599,279
Total net assets	789,589	6,599,279	7,388,868
Total liabilities and net assets	$ 6,336,128	$ 6,599,279	$ 12,935,407

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, 2023

	Without donor restrictions	With donor restrictions	Total
OPERATING REVENUES			
Rental income	$ 1,775,396	$ -	$ 1,775,396
Governmental grants	2,000	1,074,865	1,076,865
Miscellaneous income	21,560	-	21,560
Total operating revenue	1,798,956	1,074,865	2,873,821
Net assets released from restrictions	316,037	(316,037)	-
Total revenue	2,114,993	758,828	2,873,821
OPERATING EXPENSES			
Administrative expenses	430,731	-	430,731
Operating and maintenance expenses	1,033,798	-	1,033,798
Interest expense	203,858	-	203,858
Depreciation and amortization expense	278,060	-	278,060
Total operating expenses	1,946,447	-	1,946,447
CHANGE IN NET ASSETS	168,546	758,828	927,374
Net assets at beginning of year (restated)	621,043	5,840,451	6,461,494
Net assets at end of year	$ 789,589	$ 6,599,279	$ 7,388,868

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, 2023

Cash flows from operating activities	
Change in net assets	$ 927,374
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	278,060
Increase in accounts receivable	(22,185)
Decrease in grants receivable	1,347,582
Increase in accounts payable and accrued expenses	(1,061,546)
Decrease in deferred revenues	(2,863)
Total adjustments	539,048
Net cash provided by operating activities	1,466,422
Cash flows from investing activities	
Purchase of property, improvements and equipment	(579,324)
Net deposits to reserve for replacements and interest retained in account	(49,169)
Net cash used by investing activities	(628,493)
Cash flows from financing activities	
Net decrease in due to related party	(876,176)
Proceeds from mortgage payable	1,250,000
Loan issuance costs	(7,499)
Payments on mortgages payable	(1,118,396)
Net cash used by financing activities	(752,071)
Net increase in cash and cash equivalents	85,858
Cash and cash equivalents at beginning of year	118,041
Cash and cash equivalents at end of year	$ 203,899
Supplemental disclosures of cash flow information	
Cash paid during the year	
Interest	$ 206,460
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, 2023

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. and Subsidiaries ("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. 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.

HFSF 5, LLC is a wholly owned subsidiary of HFSF, Inc., purchased an apartment complex in Tampa, Florida in 2021 and completed rehabilitation in 2023 ("Youngstown"). Youngstown began operations in May 2023 renting thirty-six apartment units. In accordance with HFSF, Inc.'s mission statement, the apartment units are rented to persons of very low or no income.

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, Greenwood and Youngstown. Fees paid to the management agent are based on contracted rates.

2. Basis of Consolidation

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, HFSF 4, LLC and HFSF 5, LLC (collectively, the "Organization"). Significant intercompany accounts and transactions have been eliminated in consolidation.

3. 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")*.

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.

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.

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

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, Improvements and Equipment

Property, improvements and equipment 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.

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.

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

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.

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 2020 remain subject to examination by federal and state taxing authorities.

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

15. Prior Period Restatement

The Organization recorded a prior period restatement to correct property costs, long-term liabilities and net assets related to prior year. The Organization restated the beginning net assets as follows:

Net assets - as originally stated	$ 5,539,972
Restatements to correct opening balances	921,522
Net assets - as restated	$ 6,461,494

16. Adoption of New Accounting Standard

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13" or "ASC 326"). ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected.

NOTE B - LIQUIDITY AND AVAILABILITY

At December 31, 2023 the Organization has $277,977 of financial assets available to meet needs for general expenditures consisting of cash of $203,899 and tenant accounts receivable of $74,078. 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, 2023:

Land	$ 1,902,957
Building	10,930,081
Building improvements	951,927
Furniture and equipment	40,035
	13,825,000
Less accumulated depreciation	(1,458,689)
	$ 12,366,311

Depreciation expense for the year ended December 31, 2023 was $266,005.

NOTE D - DUE TO RELATED PARTY

The amounts due to related party consisted of the following at December 31, 2023:

Promissory note due to a related party, interest accrues monthly at a variable rate, which is 7.954% at December 31, 2023, collateralized by land and building, due on demand	$ 903,033

Interest expense incurred for amounts owed to the related party approximated $50,000 for the year ended December 31, 2023.

NOTE E - MORTGAGES PAYABLE

Mortgages payable consisted of the following at December 31, 2023:

Mortgage note payable, monthly payment of $2,496 including interest at 4.50%, secured by property, maturing in April 2029	$ 371,596
Mortgage note payable, monthly payment of $10,326 including interest at 4.50%, secured by property, maturing in April 2026	1,169,121
Mortgage note payable, monthly payment of $6,522 including interest at 5.75%, secured by property, maturing in January 2028	906,747
Mortgage note payable, monthly payment of $5,209 including interest at 4.75%, secured by property, maturing in January 2024, refinanced in February 2024	675,709
Mortgage note payable, monthly payment of $8,313 including interest at 6.25%, secured by property, maturing in June 2028	1,236,902
Total long-term debt	4,360,075
Less current maturities	(154,788)
Less unamortized loan costs	(61,012)
Long-term maturities	$ 4,144,275

The aggregate maturities of mortgages payable for each of the next five years subsequent to December 31, 2023 and thereafter are as follows:

Year ending December 31,	
2024	$ 154,788
2025	169,995
2026	1,122,107
2027	107,008
2028	1,973,468
Thereafter	832,709
	$ 4,360,075

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.

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, 2023. 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, 2023. 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, 2023.

NOTE F - DEFERRED MORTGAGES AND NOTES PAYABLE - Continued

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 principal 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.

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, 2023. 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 principal 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, 2023. Prior to the consideration of amount forgiven, $600,000 would be due in 2033.

The Organization obtained a $1,080,000 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 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 $1,080,000 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, 2023. Prior to the consideration of amount forgiven, $1,080,000 would be due in 2033.

NOTE F - DEFERRED MORTGAGES AND NOTES PAYABLE - Continued

The Organization obtained a $4,520,549 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 thirty-year period, upon which the full balance will be forgiven in accordance with the loan agreement in October 2051. These funds were recognized as a contribution with donor restriction of $4,520,549, with $1,074,865 recognized as a donor restricted contribution in the Consolidated Statement of Activities as of December 31, 2023, which is the amount expended at this point in time. 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, 2023. Prior to the consideration of amount forgiven, $4,520,549 would be due in 2051.

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 $6,599,279 as of December 31, 2023. Time restriction releases of $316,037 occurred for the year ended December 31, 2023.

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	$ 171,984	$ 32,993	$ 204,977
Administrative and office	5,638	39,258	44,896
Insurance	295,503	-	295,503
Legal and accounting	-	40,801	40,801
Management fees	-	112,704	112,704
Property taxes and fees	56,731	-	56,731
Travel	4,744	2,260	7,004
Facilities management	470,274	-	470,274
Repairs and maintenance	196,518	-	196,518
Total costs of operations before interest, depreciation and amortization	1,201,392	228,016	1,429,408
Interest	238,979	-	238,979
Depreciation and amortization	278,060	-	278,060
Total expenses	$ 1,718,431	$ 228,016	$ 1,946,447

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

In February 2024, the Organization refinanced a mortgage payable of $675,709 with a financial institution. The refinanced mortgage payable of $669,128 has a maturity date of February 2029, fixed interest of 7.650% with monthly payments of $6,320 starting in March 2024, with a lump sum payment due at maturity. The Organization plans on holding the mortgage until maturity.

The Organization has evaluated events and transactions occurring subsequent to December 31, 2023 as of September 30, 2024, which is the date the consolidated financial statements were available to be issued.

COMPLIANCE REPORTS

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

HOUSING FIRST STEPS FORWARD, INC. AND SUBSIDIARIES

December 31, 2023

RIVERO, GORDIMER & COMPANY, P.A.

CPAS AND ADVISORS

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

Herman V. Lazzara
Sam A. Lazzara
Kevin R. Bass
Jonathan E. Stein
Stephen G. Douglas
Marc D. Sasser, of Counsel
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of 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, 2023, 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 30, 2024.

Report on 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

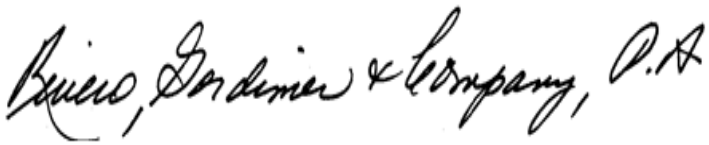
As part of obtaining reasonable assurance about whether Housing First Steps Forward, Inc. and Subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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*.

Housing First Steps Forward, Inc. and Subsidiaries' Response to Findings

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

Purpose of this Report

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



Tampa, Florida
September 30, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL

HOUSING FIRST STEPS FORWARD, INC. AND SUBSIDIARIES

December 31, 2023

RIVERO, GORDIMER & COMPANY, P.A.

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

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited Housing First Steps Forward, Inc. and Subsidiaries' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and 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 federal programs and state projects for the year ended December 31, 2023. Housing First Steps Forward, Inc. and Subsidiaries' major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 federal programs and state projects for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Housing First Steps Forward, Inc. and Subsidiaries 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 Housing First Steps Forward, Inc. and Subsidiaries' 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 Housing First Steps Forward, Inc. and Subsidiaries' federal programs and state projects.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Housing First Steps Forward, Inc. and Subsidiaries' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General* 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 Housing First Steps Forward, Inc. and Subsidiaries' compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, 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 Housing First Steps Forward, Inc. and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances
- Obtain an understanding of Housing First Steps Forward, Inc. and Subsidiaries' 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 and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of Housing First Steps Forward, Inc. and Subsidiaries' 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.

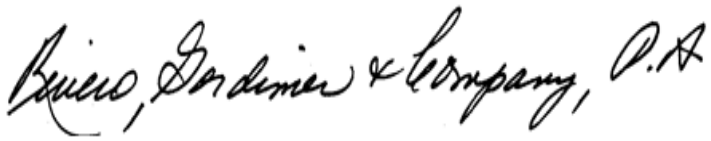
Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or 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 federal program or 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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



Tampa, Florida
September 30, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HOUSING FIRST STEPS FORWARD, INC. AND SUBSIDIARIES

For the year ended December 31, 2023

Housing First Steps Forward, Inc. and Subsidiaries

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2023

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?	__X__ yes ____ no
Noncompliance material to financial statements noted?	____ yes __X__ no

Federal Awards and State Financial Assistance

Internal control over major projects:	
Material weakness(es) identified?	____ yes __X__ no
Significant deficiency(ies) identified?	____ yes __X__ no
Type of auditors' report issued on compliance for major federal programs and state projects:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance and Chapter 10.656	____ yes __X__ no

Identification of major programs:

Federal Assistance Listing Number	Name of Federal Program
21.027	Coronavirus State and Local Fiscal Recovery Funds

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 federal programs and state projects:	
Federal awards:	$ 750,000
State projects:	$ 448,200
Auditee qualified as a low-risk auditee as defined by the Uniform Guidance?	____ yes __X__ no

Housing First Steps Forward, Inc. and Subsidiaries

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended December 31, 2023

Section II - Financial Statement Findings

Finding 2023-001: Significant Deficiency in Internal Control related to Financial Close

Criteria: The financial close process is considered necessary to ensure the Organization's financial statements identify reporting requirements and potential misstatements.

Condition: Misstatements were identified as a result of untimely financial close process.

Cause: A lack of formal financial close process led to the misstatements.

Effect: Capital assets were understated by approximately $2,600,000; Long-term liabilities were understated approximately $2,000,000; related party payables were understated approximately $300,000 and net assets were understated by approximately $900,000.

Recommendation: We recommend that a formal financial close process be implemented to include timely reconciliations and a detailed analytical review.

View of responsible officials and planned corrective actions: Management concurs with the recommendation. Planned corrective actions include implementing additional internal controls.

Findings 2022-001: Significant Deficiency in Internal Control related to Financial Close

Finding: During the year ended December 31, 2022, misstatements were identified that were material as a result of untimely financial close process. A recommendation was made to management to implement a formal financial close process and to include timely reconciliations and a detailed analytical review.

Status: Not implemented.

Section III – Federal Awards and State Financial Assistance Findings and Questioned Costs

No matters were reported for the year ended December 31, 2023.

SUPPLEMENTARY INFORMATION

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

HOUSING FIRST STEPS FORWARD, INC. AND SUBSIDIARIES

For the year ended December 31, 2023

Housing First Steps Forward, Inc. and Subsidiaries

CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For the year ended December 31, 2023

Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number or State CSFA #	Pass-through Entity Identifying Number	Passed-through to Subrecipients	Expenditures
Federal Programs				
Department of the Treasury				
Indirect Programs				
Passed-through Hillsborough County, Florida				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	$ -	$ 1,074,865
Total Department of the Treasury - Indirect Programs			-	1,074,865
Total expenditures of federal awards			-	1,074,865
State Projects				
Florida Housing Finance Corporation				
Indirect Projects				
Passed-through City of Tampa, Florida State Housing Initiatives Partnership Program (SHIP)	40.901	Capital Advance Non-Amortizing	-	250,000
Passed-through Hillsborough County, Florida State Housing Initiatives Partnership Program (SHIP)	40.901	Capital Advance Non-Amortizing	-	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	-	744,000
Passed-through Florida Department of Economic Opportunity Local Economic Development Initiatives	40.012	Capital Advance Non-Amortizing	-	250,000
Total Department of Economic Opportunity - Indirect Projects			-	994,000
Total expenditures of state financial assistance			-	1,494,000
Total expenditures of federal awards and state financial assistance			$ -	$ 2,568,865

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 FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For the year ended December 31, 2023

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal and state grant activity of Housing First Steps Forward, Inc. and Subsidiaries (the "Organization") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650 Rules of the Auditor General. 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.

Expenditures are recognized following the cost principles contained in the Uniform Guidance and Chapter 10.650 Rules of the Auditor General, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE B - CONTINGENCIES

These federal programs are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect the Organization's continued participation in specific programs. The amounts, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

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, 2023 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, 2023

	Housing First Steps Forward, Inc.	HFSF 1, LLC (Orchid Cove)	HFSF 2, LLC (Southland)	HFSF 3, LLC (Manchester)	HFSF 4, LLC (Greenwood)	HFSF 5, LLC (Youngstown)	Consolidated Total
ASSETS							
Current assets							
Cash	$ 2,812	$ 17,740	$ 107,707	$ 22,178	$ 21,806	$ 31,656	$ 203,899
Accounts receivable	-	13,334	20,945	7,615	27,104	5,080	74,078
Total current assets	2,812	31,074	128,652	29,793	48,910	36,736	277,977
Tenant deposits held in trust	-	6,667	35,866	26,314	10,501	23,773	103,121
Replacement reserve	-	36,917	91,278	42,698	11,024	-	181,917
Property, improvements and equipment, net	-	781,526	2,171,001	1,610,929	1,113,764	6,689,091	12,366,311
Deposits	3,170	-	311	850	1,750	-	6,081
Total assets	$ 5,982	$ 856,184	$ 2,427,108	$ 1,710,584	$ 1,185,949	$ 6,749,600	$ 12,935,407
LIABILITIES AND NET ASSETS							
Current liabilities							
Accounts payable and accrued expenses	$ 1,196	$ 10,308	$ 23,849	$ 139,731	$ 13,215	$ 17,855	$ 206,154
Current portion of mortgages payable	-	13,465	72,023	27,038	19,052	23,210	154,788
Due to related party	1,162,519	6,485	(594)	494,651	(28,087)	(731,941)	903,033
Deferred revenues	-	1,135	21,597	6,501	5,477	458	35,168
Total current liabilities	1,163,715	31,393	116,875	667,921	9,657	(690,418)	1,299,143
Long-term liabilities							
Mortgages payable, less current maturities	-	356,737	1,097,098	860,920	652,681	1,176,839	4,144,275
Tenant deposits	-	6,667	35,866	26,314	10,501	23,773	103,121
Total long-term liabilities	-	363,404	1,132,964	887,234	663,182	1,200,612	4,247,396
Total liabilities	1,163,715	394,797	1,249,839	1,555,155	672,839	510,194	5,546,539
Net assets							
Without donor restrictions	(1,157,733)	461,387	781,769	(257,904)	139,777	822,293	789,589
With donor restrictions	-	-	395,500	413,333	373,333	5,417,113	6,599,279
Total net assets	(1,157,733)	461,387	1,177,269	155,429	513,110	6,239,406	7,388,868
Total liabilities and net assets	$ 5,982	$ 856,184	$ 2,427,108	$ 1,710,584	$ 1,185,949	$ 6,749,600	$ 12,935,407

See Independent Auditor's Report

Housing First Steps Forward, Inc. and Subsidiaries

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2023

	Housing First Steps Forward, Inc.	HFSF 1, LLC (Orchid Cove)	HFSF 2, LLC (Southland)	HFSF 3, LLC (Manchester)	HFSF 4, LLC (Greenwood)	HFSF 5, LLC (Youngstown)	Consolidated Total
OPERATING REVENUES							
Rental income	$ -	$ 251,521	$ 605,024	$ 434,427	$ 251,197	$ 233,227	$ 1,775,396
Governmental grants	2,000	-	-	-	-	1,074,865	1,076,865
Miscellaneous income (expense)	994	(1,114)	15,941	-	5,739	-	21,560
Total operating revenue	2,994	250,407	620,965	434,427	256,936	1,308,092	2,873,821
OPERATING EXPENSES							
Administrative expenses	80,531	42,484	87,350	71,254	45,681	103,431	430,731
Operating and maintenance expenses	74,172	145,612	296,988	277,050	141,881	98,095	1,033,798
Interest expense	40,221	18,576	57,818	45,010	35,224	7,009	203,858
Depreciation and amortization expense	14,063	12,581	75,929	44,045	31,744	99,698	278,060
Total operating expenses	208,987	219,253	518,085	437,359	254,530	308,233	1,946,447
CHANGE IN NET ASSETS	(205,993)	31,154	102,880	(2,932)	2,406	999,859	927,374
Net assets at beginning of year (restated)	(944,540)	430,233	1,085,189	140,361	510,704	5,239,547	6,461,494
Net asset contributions (distributions)	(7,200)	-	(10,800)	18,000	-	-	-
Net assets at end of year	$ (1,157,733)	$ 461,387	$ 1,177,269	$ 155,429	$ 513,110	$ 6,239,406	$ 7,388,868

See Independent Auditor's Report