



ELDERHOMES CORPORATION
dba project:HOMES AND SUBSIDIARIES

FINANCIAL AND COMPLIANCE AUDIT

YEARS ENDED JUNE 30, 2020 AND 2019

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HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
ElderHomes Corporation dba project:HOMES and Subsidiaries
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of ElderHomes Corporation dba project:HOMES (a nonprofit organization) and Subsidiaries (the "Corporation"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated 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 risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 consolidated schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 29, 2020, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Corporation's internal control over financial reporting and compliance.

Harris, Hardy ; Johnstone, P.C.

Richmond, Virginia
September 29, 2020

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 4,059,825	\$ 2,503,922
Accounts receivable	25,378	63,542
Grants receivable	1,274,148	2,002,634
Work in progress	447,644	222,665
Inventory	35,663	58,153
Inventory of real estate	2,095,467	1,473,211
Land, building, and equipment, net	1,164,622	1,195,064
Investments - partnerships	801,524	750,632
Land held for investment	476,105	468,383
Loan costs	1,420	1,552
Accounts receivable - affiliates	653,640	432,039
	<u>\$ 11,035,436</u>	<u>\$ 9,171,797</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 312,174	\$ 458,501
Advanced grants	1,429,377	789,206
Accumulated vacation	126,289	136,147
Deferred revenue	19,864	36,000
Paycheck Protection Program (PPP) Loan	525,418	-
Long-term debt	1,274,771	1,280,753
	<u>3,687,893</u>	<u>2,700,607</u>
NET ASSETS		
Without donor restrictions	6,996,965	6,124,491
With donor restrictions	350,578	346,699
	<u>7,347,543</u>	<u>6,471,190</u>
	<u>\$ 11,035,436</u>	<u>\$ 9,171,797</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Contributions			
Individuals and churches	\$ -	\$ 76,453	\$ 76,453
Corporations	-	222,250	222,250
Foundations	-	155,650	155,650
Grants			
State	-	22,410	22,410
Federal	-	7,136,695	7,136,695
Local and other agencies	3,186,098	57,898	3,243,996
Total Support	<u>3,186,098</u>	<u>7,671,356</u>	<u>10,857,454</u>
Program Services Revenue			
Development and monitoring fees	101,315	-	101,315
Sales			
House sales	4,119,505	-	4,119,505
Less: cost of goods sold - house sales	(2,837,987)	-	(2,837,987)
Distributor sales	219,170	-	219,170
Less: cost of goods sold - distributor	(122,871)	-	(122,871)
Net Sales	<u>1,377,817</u>	<u>-</u>	<u>1,377,817</u>
Other Revenues, Gains, and (Losses)			
Investment return, net	50,492	-	50,492
Rent	89,438	-	89,438
Total Other Revenues, Gains, and (Losses)	<u>139,930</u>	<u>-</u>	<u>139,930</u>
Net Assets Released from Restrictions			
Satisfaction of program restrictions	7,667,477	(7,667,477)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>12,472,637</u>	<u>3,879</u>	<u>12,476,516</u>
EXPENSES			
Program Services			
Rehabilitation	4,319,050	-	4,319,050
Weatherization	5,568,731	-	5,568,731
Volunteer Services	452,893	-	452,893
Revitalization	857,440	-	857,440
Total Program Services	<u>11,198,114</u>	<u>-</u>	<u>11,198,114</u>
Management and General	328,187	-	328,187
Fundraising	73,862	-	73,862
TOTAL EXPENSES	<u>11,600,163</u>	<u>-</u>	<u>11,600,163</u>
CHANGE IN NET ASSETS	872,474	3,879	876,353
NET ASSETS, beginning of year	6,124,491	346,699	6,471,190
NET ASSETS, end of year	<u>\$ 6,996,965</u>	<u>\$ 350,578</u>	<u>\$ 7,347,543</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Contributions			
Individuals and churches	\$ -	\$ 73,676	\$ 73,676
Corporations	-	196,339	196,339
Foundations	-	286,594	286,594
Grants			
State	-	24,108	24,108
Federal	-	6,133,343	6,133,343
Local and other agencies	1,205,620	71,840	1,277,460
Total Support	<u>1,205,620</u>	<u>6,785,900</u>	<u>7,991,520</u>
Program Services Revenue			
Development and monitoring fees	130,135	-	130,135
Sales			
House sales	3,837,640	-	3,837,640
Less: cost of goods sold - house sales	(2,701,397)	-	(2,701,397)
Distributor sales	255,465	-	255,465
Less: cost of goods sold - distributor	(82,656)	-	(82,656)
Net Sales	<u>1,309,052</u>	<u>-</u>	<u>1,309,052</u>
Revenues, Gains, and (Losses)			
Investment return, net	54,612	-	54,612
Rent	63,745	-	63,745
Total Revenues, Gains, and (Losses)	<u>118,357</u>	<u>-</u>	<u>118,357</u>
Net Assets Released from Restrictions			
Satisfaction of program restrictions	6,962,059	(6,962,059)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>9,725,223</u>	<u>(176,159)</u>	<u>9,549,064</u>
EXPENSES			
Program Services			
Rehabilitation	3,378,032	-	3,378,032
Weatherization	3,453,692	-	3,453,692
Volunteer Services	765,302	-	765,302
Revitalization	1,046,287	-	1,046,287
Total Program Services	<u>8,643,313</u>	<u>-</u>	<u>8,643,313</u>
Management and General	311,033	-	311,033
Fundraising	64,861	-	64,861
TOTAL EXPENSES	<u>9,019,207</u>	<u>-</u>	<u>9,019,207</u>
CHANGE IN NET ASSETS	<u>706,016</u>	<u>(176,159)</u>	<u>529,857</u>
NET ASSETS, beginning of year	5,418,475	522,858	5,941,333
NET ASSETS, end of year	<u>\$ 6,124,491</u>	<u>\$ 346,699</u>	<u>\$ 6,471,190</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services				Total Program Services	Management and General	Fundraising	Total
	Rehabilitation	Weatherization	Volunteer Services	Revitalization				
Salaries and wages	\$ 536,126	\$ 938,660	\$ 215,065	\$ 423,814	\$ 2,113,665	\$ 168,799	\$ 51,353	\$ 2,333,817
Employee benefits	130,017	220,828	41,809	103,259	495,913	35,503	14,089	545,505
	666,143	1,159,488	256,874	527,073	2,609,578	204,302	65,442	2,879,322
Materials and home purchases	3,393,072	4,010,094	175,422	2,805,156	10,383,744	-	-	10,383,744
Service contracts	80,904	131,182	17,591	210,597	440,274	-	5,772	446,046
Vehicle operations	13,353	139,419	-	60,718	213,490	-	-	213,490
Occupancy	58,872	60,715	86	25,317	144,990	36,271	91	181,352
Insurance	53,582	39,881	-	10,206	103,669	25,917	-	129,586
Depreciation	17,589	23,182	1,844	31,575	74,190	18,548	-	92,738
Training	19,127	55,771	-	2,772	77,670	-	-	77,670
Supplies and tools	-	54,039	-	-	54,039	-	-	54,039
Other	3,119	2,737	1,076	22,013	28,945	9,761	2,557	41,263
Audit	13,289	15,094	-	-	28,383	7,096	-	35,479
Interest	-	-	-	-	-	25,605	-	25,605
Advertising	-	-	-	-	-	687	-	687
TOTAL EXPENSES	4,319,050	5,691,602	452,893	3,695,427	14,158,972	328,187	73,862	14,561,021
Cost of goods sold	-	(122,871)	-	(2,837,987)	(2,960,858)	-	-	(2,960,858)
PER STATEMENT OF ACTIVITIES	\$ 4,319,050	\$ 5,568,731	\$ 452,893	\$ 857,440	\$ 11,198,114	\$ 328,187	\$ 73,862	\$ 11,600,163

See Independent Auditor's Report and Notes to Consolidated Financial Statements

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services				Total Program Services	Management and General	Fundraising	Total
	Rehabilitation	Weatherization	Volunteer Services	Revitalization				
Salaries and wages	\$ 518,116	\$ 760,490	\$ 239,143	\$ 336,331	\$ 1,854,080	\$ 149,665	\$ 49,935	\$ 2,053,680
Employee benefits	131,759	186,623	40,550	79,821	438,753	39,075	14,926	492,754
	649,875	947,113	279,693	416,152	2,292,833	188,740	64,861	2,546,434
Materials and home purchases	2,478,829	2,160,968	462,471	2,962,684	8,064,952	-	-	8,064,952
Service contracts	489	83,482	16,597	198,141	298,709	-	-	298,709
Supplies and tools	59,916	87,452	-	32,283	179,651	-	-	179,651
Occupancy	68,770	66,747	-	7,176	142,693	35,673	-	178,366
Vehicle operations	32,117	48,221	-	55,083	135,421	-	-	135,421
Insurance	49,508	38,265	-	6,310	94,083	23,521	-	117,604
Depreciation	15,270	14,959	3,459	33,461	67,149	16,787	-	83,936
Training	16,657	64,621	-	1,273	82,551	-	-	82,551
Other	1,664	10,705	3,082	26,714	42,165	10,668	-	52,833
Audit	4,937	13,815	-	8,407	27,159	5,422	-	32,581
Interest	-	-	-	-	-	27,059	-	27,059
Advertising	-	-	-	-	-	3,163	-	3,163
TOTAL EXPENSES	3,378,032	3,536,348	765,302	3,747,684	11,427,366	311,033	64,861	11,803,260
Cost of goods sold	-	(82,656)	-	(2,701,397)	(2,784,053)	-	-	(2,784,053)
PER STATEMENT OF ACTIVITIES	\$ 3,378,032	\$ 3,453,692	\$ 765,302	\$ 1,046,287	\$ 8,643,313	\$ 311,033	\$ 64,861	\$ 9,019,207

See Independent Auditor's Report and Notes to Consolidated Financial Statements

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from funding sources and other income	\$ 14,077,434	\$ 11,398,634
Cash paid to suppliers and employees	<u>(12,698,456)</u>	<u>(11,586,906)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,378,978</u>	<u>(188,272)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(117,041)
Purchase of investments	<u>(280,215)</u>	<u>(27,206)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(280,215)</u>	<u>(144,247)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program (PPP) Loan	525,418	-
Curtailment of long-term debt	<u>(68,278)</u>	<u>(57,931)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>457,140</u>	<u>(57,931)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,555,903	(390,450)
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,503,922</u>	<u>2,894,372</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,059,825</u>	<u>\$ 2,503,922</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 25,605</u>	<u>\$ 27,059</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Purchase of property and equipment with long-term debt	<u>\$ 62,296</u>	<u>\$ 316,866</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ 876,353	\$ 529,857
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	92,870	84,062
(Increase) decrease in		
Grant receivables	728,486	(959,967)
Accounts receivables	38,164	(18,858)
Work in progress	(224,979)	(118,545)
Inventory	22,490	43,282
Inventory of real estate	(622,256)	1,147
Increase (decrease) in		
Accounts payable	(146,327)	152,832
Advanced grants	640,171	53,342
Accumulated vacation	(9,858)	8,576
Deferred revenue	(16,136)	36,000
	<u> </u>	<u> </u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 1,378,978</u>	<u>\$ (188,272)</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

ElderHomes Corporation dba project:HOMES (the “Corporation”) is a nonprofit community development corporation whose mission is “Improving lives by improving homes.” The Corporation helps low-income, elderly and disabled individuals of all ages live safely and independently in their own homes by offering home repair, accessibility modification and construction and energy conservation services throughout the greater Richmond, Tri-Cities and Eastern areas of Virginia.

The Corporation provides a full circle of housing services to include home rehabilitations, weatherization improvements, constructing new homes and developing multifamily apartment communities for low-income seniors. Supported by the privately-funded volunteer program, the Corporation also builds and installs wheelchair ramps for low-income and elderly and disabled homeowners at no charge.

ElderHomes Corporation dba project:HOMES has eight wholly owned subsidiaries, Conservation Strategies, Inc., Elder Properties, Inc., William Byrd II, L.P., Elder Properties II, Inc., Elder Properties III, Inc., project:HOMES Properties II, LLC, project:HOMES Properties III, LLC, and project:HOMES Properties IV, LLC, which hold general partnership interests in limited partnerships that develop low-income housing.

Program Description

Rehabilitation – The Corporation addresses the health and safety of homes by offering critical home repair, major home rehabilitations and lead hazard control services.

Weatherization- The Corporation weatherizes homes for energy efficiency by making energy improvements.

Volunteer Services – The Corporation’s Renew Crew makes safety repairs and accessibility improvements to home including building wheelchair ramps.

Revitalization – The Corporation addresses the housing needs of the Richmond region through preservation and production of affordable housing and affordable rental opportunities as well as provides safe and secure multifamily apartment communities for low-income seniors.

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The Corporation prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America for nonprofit entities. The significant accounting and reporting policies used by the Corporation are described subsequently to enhance the usefulness and understandability of the financial statements.

Adoption of New Accounting Standard

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 606, Revenue from Contracts with Customers) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in accounting principles generally accepted in the United States of America. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Corporation adopted ASC 606 with a date of the initial application of July 1, 2019, using the full-retrospective method.

As part of the adoption of ASC 606, the Corporation elected to use the following transition practical expedients: (1) revenue from contracts which begin and end in the same fiscal year has not been restated; and (2) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate.

The Corporation's revenue is recognized both over time and at a point in time based on the transfer of control. Revenue recognized over time consists of performance obligations that are satisfied within one year or less. In addition, the majority of the Corporation's contracts do not contain variable consideration and contract modifications are generally minimal. For these reasons, there is not a significant impact as a result of electing these transition practical expedients.

The adoption of ASC 606 did not have a significant impact on the Corporation's financial position, results of operations, or cash flows. The majority of the Corporation's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Corporation's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair Value Measurements

The Corporation reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by accounting principles generally accepted in the United States of America, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the Corporation measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Corporation is required to measure at fair value.

The primary uses of fair value measures in the Corporation's financial statements are

- recurring measurement of long-term investments (Note D).

The Corporation uses the following ways to determine the fair value of its investments:

Partnerships: Determined by the costs and tax assessed value of the property.

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

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

Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as of the date of the financial statements. On an ongoing basis, the Corporation's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Corporation's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries. All intercompany transactions and accounts have been eliminated.

Income Taxes

ElderHomes Corporation dba project:HOMES is exempt from federal income taxes as defined under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose could be subject to taxation as unrelated business income. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Corporation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Corporation and various positions related to the potential sources of unrelated business taxable income (UBTI). The Corporation has recognized no uncertain tax positions for the years ended June 30, 2020 and 2019. The Corporation is generally no longer subject to examination by the Internal Revenue Service for years prior to 2017.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

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

Consolidated Schedule of Expenditures of Federal and Other Awards

The accompanying Consolidated Supplemental Schedule of Expenditures of Federal and Other Awards is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures reported on the Consolidated Supplemental Schedule of Expenditures of Federal and Other Awards are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Corporation does not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Cash and Cash Equivalents

Cash equivalents include all deposits in banks and highly liquid investments with original maturity dates of less than three months. The carrying value of cash equivalents approximated fair value because of the short maturities of those financial instruments.

Accounts Receivable/Allowance

Accounts receivable are primarily unsecured non-interest-bearing amounts due from customers of the Corporation's social enterprise. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Grants Receivable/Allowance

Grants receivable are primarily unsecured non-interest-bearing amounts due from grantors on cost reimbursement or performance grants. Management believes that all outstanding grants receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Inventory

Inventory is stated at the lower of cost or net realizable value. The first-in, first-out method is used to determine the cost of inventory.

Land, Building, and Equipment

Land, building, and equipment are reported in the consolidated statements of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets.

Land, building, and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

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

Investments – partnerships

Investments - partnerships are reported at fair value with changes to fair value reported as investment return in the consolidated statements of activities.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Corporation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Corporation must continue to use the resources in accordance with the donor's instructions.

The Corporation's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Corporation, unless the donor provides more specific directions about the period of its use.

Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

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

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget's audit requirements for federal awards and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Corporation's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Corporation.

All programs have been reported for the twelve-month periods ended June 30, 2020 and 2019. The contract periods covered in this report are as follows for the major funding sources.

Virginia Department of Housing and
Community Development:

Weatherization	July 1, 2019 to June 30, 2020 and July 1, 2018 to June 30, 2019
LIHEAP	October 1, 2019 to September 30, 2020 and October 1, 2018 to September 30, 2019

City of Richmond:

Residential Rehabilitation	July 1, 2019 to June 30, 2020 and July 1, 2018 to June 30, 2019
Neighborhood Assistance	July 1, 2019 to June 30, 2020 and July 1, 2018 to June 30, 2019
Lead Remediation	March 1, 2020 to February 28, 2021 and March 1, 2019 to February 28, 2020

County of Chesterfield:

Comprehensive Housing Rehabilitation	July 1, 2019 to June 30, 2020 and July 1, 2018 to June 30, 2019
Lead Remediation	March 12, 2020 to March 11, 2023

County of Henrico:

Residential Rehabilitation	October 1, 2019 to September 30, 2020 and October 1, 2018 to September 30, 2019
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City of Hopewell:

Residential Rehabilitation	July 1, 2019 to June 30, 2020 and July 1, 2018 to June 30, 2019
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City of Petersburg:

Residential Rehabilitation	July 1, 2019 to June 30, 2020 and July 1, 2018 to June 30, 2019
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City of Colonial Heights:

Residential Rehabilitation	July 1, 2019 to June 30, 2020 and July 1, 2018 to June 30, 2019
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Revenue Recognition Policy

Revenue is measured based on consideration specified in a contract with a customer. The Corporation recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

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

Performance Obligations

Sale of houses and distributor goods - For performance obligations related to the sale of houses and distributor goods, control transfers to the customer at a point in time. Revenue is recognized as the services or products are provided. The Corporation does not have any significant financing components as payment is received at or shortly after the point of sale.

Development and monitoring fees - For performance obligations related to development and monitoring services, control transfers to the Corporation over time. The Corporation provides development management and consulting services for various real estate developments during the construction phase and manages assets for Senior Affordable Housing projects. Revenue is recognized ratably over time.

Expense Recognition and Allocation

The cost of providing the Corporation's programs and other activities is summarized on a functional basis in the consolidated statements of activities and consolidated statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Occupancy, depreciation, insurance, professional services, and other expenses are allocated based on management's best estimate of the distribution of costs across programs.

Approximately every three years, or more often if programs are added, the bases on which costs are allocated are evaluated.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Corporation.

Fundraising costs are expensed as incurred. The Corporation generally does not conduct its fundraising activities in conjunction with its other activities. Additionally, advertising costs are expensed as incurred.

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

NOTE B - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020:

Financial assets:	
Cash and cash equivalents	\$ 4,059,825
Accounts receivable	25,378
Grants receivable	<u>1,274,148</u>
Total financial assets	5,359,351
Less financial assets held to meet donor-imposed restrictions:	
Purpose restricted net assets (Note H)	<u>350,578</u>
Total financial assets available for general expenditures within one year	<u>\$ 5,008,773</u>

As part of the Corporation's liquidity management plan, cash in excess of daily requirements is invested in short-term interest earning accounts. The Corporation maintains a revolving line of credit of \$950,000 to cover short-term cash needs (Note E).

NOTE C - INVESTMENTS - PARTNERSHIPS

The Corporation measured the fair value of investments as of June 30, 2020 and 2019 using level 2 inputs under the cost approach as summarized below:

<u>June 30, 2020</u>	<u>Cost</u>	<u>Fair Market Value</u>
Partnerships (Level 2)	<u>\$ 801,524</u>	<u>\$ 801,524</u>
<u>June 30, 2019</u>	<u>Cost</u>	<u>Fair Market Value</u>
Partnerships (Level 2)	<u>\$ 750,632</u>	<u>\$ 750,632</u>

NOTE D - INVESTMENT IN SUBSIDIARIES AND RELATED PARTY TRANSACTIONS

The Corporation has six wholly owned subsidiaries, Conservation Strategies, Inc., Elder Properties, Inc., William Byrd II, L.P., Elder Properties II, Inc., Elder Properties III, Inc., and project:HOMES Properties II, LLC, which hold general partnership interests in limited partnerships which develop low-income housing. The Corporation's share of the liabilities of these partnerships approximated \$1,413,931 and \$1,463,117 as of June 30, 2020 and 2019, respectively, for which the Corporation is contingently liable. Management believes that the assets of these partnerships are sufficient to satisfy the debt of the partnerships.

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

NOTE E - LINE OF CREDIT

The Corporation had available an unsecured line of credit totaling \$950,000 carrying interest at the higher of 4% or prime plus .25% as of June 30, 2020 and 2019. Borrowings on the line of credit totaled \$0 as of June 30, 2020 and 2019. The line matures October 15, 2020.

NOTE F - LONG-TERM DEBT

Long-term debt as of June 30, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Note payable at 4.50% interest in monthly installments of \$599, maturing February 5, 2021, secured by a vehicle with a net book value of \$0	\$ 4,654	\$ 11,465
Note payable at 6.09% interest in monthly installments of \$1,068, maturing September 16, 2021, secured by two vehicles with net book value of \$11,917	16,388	26,966
Notes payable at 0% interest in monthly installments of \$1,081, maturing September 11, 2023, secured by two vehicles with net book value of \$41,082	43,244	55,136
Mortgages payable at 4.75% interest in monthly installments of \$1,453, scheduled to mature between September 30, 2022 and July 31, 2023, secured by buildings with a net book value of \$239,346	243,595	249,122
Notes payable at 7.74% interest in monthly installments of \$1,259, maturing December 31, 2024, secured by two vehicles with net book value of \$57,105	58,748	-
Mortgage payable at 5.13% in monthly installments of \$4,627, maturing October 5, 2031, secured by a building with a net book value of \$572,699	474,654	504,576
Unsecured advance from Virginia Housing Development Authority with no stated interest, forgiven 5% annually beginning on the twenty-first anniversary of the note, June 30, 2027	433,488	433,488
	<u>\$ 1,274,771</u>	<u>\$ 1,280,753</u>

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

NOTE F - LONG-TERM DEBT - Continued

Principal payments due over the next five years, including unsecured advance to be forgiven, are as follows:

<u>Year</u>	
2021	\$ 79,058
2022	69,200
2023	203,571
2024	144,938
2025	48,194
Thereafter	<u>729,810</u>
	1,274,771
Unsecured advance to be forgiven	<u>433,488</u>
	<u>\$ 841,283</u>

NOTE G - PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On April 20, 2020, the Corporation received loan proceeds in the amount of \$525,418 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provided for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable after eight weeks, or an optional twenty-four weeks, as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness is reduced if the borrower terminated employees or reduced salaries during the eight or twenty-four week period.

The Corporation expects to use 100% of the loan proceeds for qualifying expenses and therefore believes that the PPP's eligibility criteria will be met and the loan proceeds represent, in substance, a grant that is expected to be forgiven. In accordance with FASB 958-605 loan proceeds that are expected to be forgiven may be accounted for as conditional contributions. However, the Corporation has elected to wait for the loan to be legally forgiven before recognition in the accompanying statement of activities.

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2020 and 2019, net assets with donor restrictions totaling \$350,578 and \$346,699, respectively were available for the volunteer services program.

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

NOTE I - DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table disaggregates the Corporation's revenue based on the time of satisfaction of performance obligations for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Performance obligations satisfied at a point in time		
House sales	\$ 4,119,505	\$ 3,837,640
Distributor sales	219,170	255,465
Total revenue from performance obligations satisfied at a point in time	4,338,675	4,093,105
Performance obligations satisfied over time		
Development and monitoring fees	<u>101,315</u>	<u>130,135</u>
Total revenue from contracts with customers	<u>\$ 4,439,990</u>	<u>\$ 4,223,240</u>

NOTE J - FUNDING AND CONTRIBUTIONS

The major federal and state funding sources for the Corporation are listed in the Supplemental Consolidated Schedule of Expenditures of Federal and Other Awards. The receivables recorded represent grant revenues earned but not received and appropriations earned but unpaid from the government entities in the Corporation's service region as of the end of the year.

NOTE K - PENSION PLAN

The Corporation sponsors a defined contribution pension plan covering all employees who are at least twenty-one years old and have been employed by the Corporation for more than one year. The Corporation's contributions and costs were determined as four percent of covered employees' compensation and totaled \$77,052 and \$73,922 for the years ended June 30, 2020 and 2019, respectively.

NOTE L - CONTINGENT LIABILITIES

Amounts received or receivable from grants are subject to audit and adjustment by the granting agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Corporation expects such amounts, if any, to be immaterial.

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

NOTE M - CONCENTRATIONS

As of June 30, 2020 and 2019, deposits were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. As of June 30, 2020, the Corporation had deposits totaling \$3,772,124 in excess of FDIC coverage. As of June 30, 2019, the Corporation maintained bank accounts in one financial institution with deposits totaling \$2,628,742 in excess of FDIC coverage.

NOTE N - SUBSEQUENT EVENTS

In the preparation of its consolidated financial statements, the Corporation considered subsequent events through September 29, 2020, which was the date the consolidated financial statements were available to be issued.

On September 3, 2020, the Corporation closed an agreement to purchase real estate in Chester, Virginia. The settlement price was \$1,950,000 paid partially in cash and financed with a long-term note payable with a commercial bank in the amount of \$1,447,500. The note is payable in 59 monthly payments of \$7,286 with interest at 3.5% and one lump-sum payment on September 3, 2025. The note is collateralized by the underlying real estate assets purchased. The note requires the Corporation to comply with various affirmative covenants throughout the term of the note.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Corporation’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Corporation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.



HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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
ElderHomes Corporation dba project:HOMES and Subsidiaries
Richmond, Virginia

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 ElderHomes Corporation dba project:HOMES (a nonprofit organization) and Subsidiaries (the "Corporation"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 29, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Corporation's 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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

Our consideration of 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harris, Hardy ; Johnstone, P.C.

Richmond, Virginia
September 29, 2020



HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
ElderHomes Corporation dba project:HOMES and Subsidiaries
Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited ElderHomes Corporation dba project:HOMES (a nonprofit organization) and Subsidiaries' (the "Corporation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2020. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying consolidated schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and The Uniform Guidance 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 federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Corporation 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 audits of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with The Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

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

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 The Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
September 29, 2020

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES
 SUPPLEMENTAL CONSOLIDATED SCHEDULE OF EXPENDITURES
 OF FEDERAL AND OTHER AWARDS
 YEAR ENDED JUNE 30, 2020

Grant Source	Grant Name	Federal CFDA Number	Pass-Through Entity
Department of Health and Human Services	LIHEAP	93.568	VDHCD
Department of Energy	Weatherization	81.042	VDHCD
	State Energy Program	81.041	Virginia Department of Mines, Minerals and Energy - Southeast Energy Alliance
Department of Housing and Urban Development	Residential Rehabilitation	14.218	County of Henrico
	Residential Rehabilitation	14.218	City of Richmond
	Residential Rehabilitation	14.218	City of Colonial Heights
	Residential Rehabilitation	14.218	City of Petersburg
	Rehabilitation	14.218	City of Hopewell
	Residential Rehabilitation	14.218	County of Chesterfield
	Residential Rehabilitation	14.239	City of Richmond
	Residential Rehabilitation	14.239	VDHCD
	Residential Rehabilitation	14.239	County of Henrico
	Comprehensive Housing Rehabilitation	14.239	County of Chesterfield
	Capacity Building	14.252	Local Initiative Support Corporation
	Lead Remediation	14.900	City of Richmond
	Lead Remediation	14.900	County of Chesterfield
Other	General Funds	N/A	State of Virginia
	Richmond Metrocare	N/A	City of Richmond
	Bon Secours	N/A	Bon Secours
	Volunteer Services Program contributions:		
	Foundations	N/A	
	Corporations	N/A	
	Individuals and churches	N/A	
	LIHEAP	N/A	
	Richmond Regional Energy Alliance	N/A	

Net Assets With Restriction July 1, 2019	Awards Received Revenues		Expenditures		Net Assets With Restriction June 30, 2020
	Federal	State/ Local	Federal	State/ Local	
\$ -	\$ 1,764,699	\$ -	\$ 1,764,699	\$ -	\$ -
-	766,904	-	766,904	-	-
4,615	-	-	4,615	-	-
-	502,496	-	502,496	-	-
-	840,431	-	840,431	-	-
-	71,989	-	71,989	-	-
-	119,270	-	119,270	-	-
-	62,070	-	62,070	-	-
-	331,979	-	331,979	-	-
-	1,928,235	-	1,928,235	-	-
-	643,440	-	643,440	-	-
-	214,758	-	214,758	-	-
-	688,885	-	688,885	-	-
-	427,202	-	427,202	-	-
-	1,974,285	-	1,974,285	-	-
-	30,000	-	30,000	-	-
-	645,022	-	645,022	-	-
-	27,550	-	27,550	-	-
-	672,572	-	672,572	-	-
-	-	22,410	-	22,410	-
-	-	17,767	-	11,452	6,315
-	-	11,110	-	11,110	-
310,983	-	155,650	-	122,370	344,263
-	-	222,250	-	222,250	-
-	-	76,453	-	76,453	-
-	-	38,900	-	38,900	-
31,101	-	(9,879)	-	21,222	-
<u>\$ 346,699</u>	<u>\$ 7,136,695</u>	<u>\$ 534,661</u>	<u>\$ 7,141,310</u>	<u>\$ 526,167</u>	<u>\$ 350,578</u>

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

Summary of Audit of Findings

1. The auditor's report expresses an unmodified opinion on whether the consolidated financial statements of ElderHomes Corporation dba project:HOMES and Subsidiaries were prepared in accordance with GAAP.
2. No material weaknesses were identified during the audit of the consolidated financial statements.
3. No instances of noncompliance material to the consolidated financial statements of ElderHomes Corporation dba project:HOMES and Subsidiaries were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for ElderHomes Corporation dba project:HOMES and Subsidiaries expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(1) are reported in this Schedule.
7. The programs tested as major programs were:

<u>2020</u>	<u>CFDA #</u>
Low-Income Home Energy Assistance Program	93.568
8. The threshold for distinguishing Types A and B was \$750,000.
9. ElderHomes Corporation dba project:HOMES and Subsidiaries was determined to be a low risk auditee.

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

None