

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR  
THE ELDERLY, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**



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**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Housing Opportunities and Maintenance for the Elderly, Inc.  
Chicago, Illinois

We have audited the accompanying financial statements of Housing Opportunities and Maintenance for the Elderly, Inc. (the Organization), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Board of Directors  
Housing Opportunities and Maintenance for the Elderly, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2018 and 2017, 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Oak Brook, Illinois  
February 15, 2019

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 57,441	\$ 907,991
Certificates of Deposit	1,533	463,537
Investments	1,725,881	700,948
Accounts Receivable	75,617	73,729
Prepaid Expenses	32,907	23,284
Total Current Assets	1,893,379	2,169,489
<b>PROPERTY AND EQUIPMENT, NET</b>	3,989,464	4,117,375
<b>OTHER ASSETS</b>		
Escrow Accounts	38,428	35,271
Security Deposits	2,500	2,500
Loan Fees, Net	8,797	9,111
Total Other Assets	49,725	46,882
Total Assets	\$ 5,932,568	\$ 6,333,746
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 40,265	\$ 41,346
Current Portion of Long-Term Debt	8,250	8,250
Accrued Expenses	44,762	43,758
Deferred Revenue - Grants	3,200	3,200
Total Current Liabilities	96,477	96,554
<b>LONG-TERM LIABILITIES</b>		
Deferred Revenue - Grants, Long-Term	-	3,200
Notes Payable, Net of Current Portion	2,742,291	3,100,541
Total Long-Term Liabilities	2,742,291	3,103,741
Total Liabilities	2,838,768	3,200,295
<b>NET ASSETS</b>		
Unrestricted		
Board-Designated Building Reserve	110,000	288,903
Board-Designated Special Projects Reserve	30,000	1,735,107
Board-Designated Investments	1,585,881	-
Unrestricted, Undesignated	1,318,069	1,057,441
Total Unrestricted	3,043,950	3,081,451
Temporarily Restricted	49,850	52,000
Total Net Assets	3,093,800	3,133,451
Total Liabilities and Net Assets	\$ 5,932,568	\$ 6,333,746

See accompanying Notes to Financial Statements.

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>						
Contributions	\$ 361,453	\$ 5,850	\$ 367,303	\$ 311,891	\$ 25,943	\$ 337,834
Grants	363,490	25,000	388,490	1,088,603	49,000	1,137,603
Bequests	239,117	-	239,117	150,012	-	150,012
Rent from Housing Facilities and Rental Subsidies	807,076	-	807,076	689,768	-	689,768
Government Contracts	64,725	-	64,725	80,115	-	80,115
Net Investment Income	57,731	-	57,731	47,181	-	47,181
Special Events	105,325	-	105,325	93,921	-	93,921
Other Income	60,486	-	60,486	60,059	-	60,059
Net Assets Released from Restrictions	33,000	(33,000)	-	46,877	(46,877)	-
Total Revenues and Other Support	<u>2,092,403</u>	<u>(2,150)</u>	<u>2,090,253</u>	<u>2,568,427</u>	<u>28,066</u>	<u>2,596,493</u>
<b>EXPENSES</b>						
Program Services	1,704,080	-	1,704,080	1,500,372	-	1,500,372
Management and General	180,048	-	180,048	162,306	-	162,306
Fundraising Expenses	245,775	-	245,775	204,463	-	204,463
Total Expenses	<u>2,129,903</u>	<u>-</u>	<u>2,129,903</u>	<u>1,867,141</u>	<u>-</u>	<u>1,867,141</u>
<b>CHANGE IN NET ASSETS</b>	(37,500)	(2,150)	(39,650)	701,286	28,066	729,352
Net Assets - Beginning of Year	<u>3,081,450</u>	<u>52,000</u>	<u>3,133,450</u>	<u>2,380,164</u>	<u>23,934</u>	<u>2,404,098</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,043,950</u>	<u>\$ 49,850</u>	<u>\$ 3,093,800</u>	<u>\$ 3,081,450</u>	<u>\$ 52,000</u>	<u>\$ 3,133,450</u>

See accompanying Notes to Financial Statements.

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018				2017			
	Program Services	Management and General	Fundraising Expenses	Total	Program Services	Management and General	Fundraising Expenses	Total
Employment Costs								
Salaries	\$ 665,112	\$ 97,210	\$ 125,104	\$ 887,426	\$ 585,404	\$ 83,502	\$ 102,190	\$ 771,096
Payroll Taxes	49,263	7,161	9,239	65,663	43,135	5,997	7,578	56,710
Other Benefits	45,368	2,234	9,567	57,169	31,298	4,451	6,650	42,399
Subcontractors	172,992	-	-	172,992	93,188	-	-	93,188
Other	12,587	1,717	958	15,262	10,814	630	2,304	13,748
Program Supplies	101,836	-	-	101,836	108,606	-	-	108,606
Depreciation Expense	221,512	-	-	221,512	185,222	-	-	185,222
Telephone and Internet	23,094	1,578	1,425	26,097	23,215	1,807	1,443	26,465
Maintenance and Security	95,974	2,000	2,295	100,269	94,310	1,158	1,241	96,709
Residential Services	46,705	-	-	46,705	79,939	-	-	79,939
General and Administrative	24,935	16,398	11,311	52,644	22,883	10,870	9,735	43,488
Outside Services	16,574	35,599	4,143	56,316	7,898	40,594	-	48,492
Fundraising and Promotion	-	-	17,607	17,607	-	90	19,539	19,629
Transportation	60,575	536	36	61,147	51,504	570	56	52,130
Rent	28,025	4,937	5,681	38,643	26,748	4,994	5,351	37,093
Insurance	67,326	7,481	8,312	83,119	64,600	7,178	7,975	79,753
Utilities	69,535	526	605	70,666	67,796	465	526	68,787
Bad Debt Expense	2,254	-	-	2,254	-	-	-	-
Interest Expense	-	2,625	-	2,625	3,812	-	-	3,812
Special Events	-	-	49,441	49,441	-	-	39,875	39,875
Other	413	46	51	510	-	-	-	-
	<u>\$ 1,704,080</u>	<u>\$ 180,048</u>	<u>\$ 245,775</u>	<u>\$ 2,129,903</u>	<u>\$ 1,500,372</u>	<u>\$ 162,306</u>	<u>\$ 204,463</u>	<u>\$ 1,867,141</u>

See accompanying Notes to Financial Statements.

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (39,650)	\$ 729,352
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	221,512	185,222
Amortization of Loan Fees	314	314
Provision for Bad Debts	2,254	3,603
(Gain) Loss on Sale of Fixed Assets	-	(600)
Net Realized and Unrealized Gain on Investments	(16,575)	(32,027)
(Increase) Decrease in:		
Accounts Receivable	(4,142)	(1,100)
Prepaid Expenses	(9,623)	(5,682)
Escrow Accounts	(3,157)	(8,323)
Increase (Decrease) in:		
Accounts Payable	(1,081)	5,455
Accrued Expenses	1,004	4,345
Deferred Revenue	(3,200)	(3,200)
Net Cash Provided by Operating Activities	147,656	877,359
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(1,108,094)	(613,875)
Proceeds From Sale of Investments, net	99,739	602,269
Purchase of Certificates of Deposit	-	(350,000)
Redemption of Certificates of Deposit	462,000	-
Purchase of Property and Equipment	(93,601)	(1,156,832)
Proceeds on Sale of Property and Equipment	-	600
Net Cash Used by Investing Activities	(639,956)	(1,517,838)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowing of Long-Term Debt	-	350,000
Principal Payments on Long-Term Debt	(358,250)	(8,250)
Net Cash Provided (Used) by Financing Activities	(358,250)	341,750
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(850,550)	(298,729)
Cash and Cash Equivalents - Beginning of Year	907,991	1,206,720
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 57,441	\$ 907,991
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 3,317	\$ 3,210

See accompanying Notes to Financial Statements.



**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Housing Opportunities and Maintenance for the Elderly, Inc. (the Organization) is a nonprofit that helps Chicago's low-income seniors to live independent and socially engaged lives. Founded in 1982, the Organization owns and manages three affordable, intergenerational apartment buildings, helps low-income seniors in Chicago maintain their independence by providing a home upkeep and repair service, shopping bus, moving assistance, and caring volunteers.

**Facilities**

The Organization rents its business office under a long-term lease at 1419 W. Carroll Avenue, Floor 2, Chicago, IL 60607.

The Organization owns, manages, and maintains three affordable buildings on the north side of Chicago dedicated to intergenerational living: Pat Crowley House, 1537 W. Rosemont Ave., Chicago (1983); Nathalie Salmon House, 7320 N. Sheridan Rd., Chicago (1994); and Blackhawk Manor, 4959 W. Medill, Chicago (2004). These buildings offer rental housing opportunities as follows:

- Private Apartments: Nathalie Salmon House and Blackhawk Manor offer a total of 35 apartments for seniors and 5 apartments for families with children.
- Good Life Senior Residences: Pat Crowley House and Nathalie Salmon House offer a total of 27 seniors the opportunity to live in community, sharing meals together family-style while having their own rooms with a private or shared bath. The buildings accommodate 10 Resident Assistants (including two in studios at Nathalie Salmon House) who help with housekeeping and laundry, as well as share creative and social activities with the older adults. Pat Crowley House includes one family with children as well.

**Presentation of Financial Statements**

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

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets include net assets subject to designations that may be imposed or removed at the discretion of the Organization's board of directors (board).

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or by the passage of time.

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Presentation of Financial Statements (Continued)**

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donor of these assets permits the use of all or part of the income earned on any related investments for general or specific purposes. At September 30, 2018 and 2017, the Organization had no permanently restricted net assets.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Organization considers all short-term investments with an initial maturity of less than three months to be cash equivalents. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in the bank may exceed FDIC insurable limits.

**Certificates of Deposit**

Certificates of Deposit consist of certificates with an initial maturity of more than three months and are recorded at cost, which approximates fair value.

**Investments**

Investments are carried at fair value which generally represents quoted market price as of the last business day of the fiscal year. Realized and unrealized gains and losses are reflected in the statement of activities. The Organization's investments in overlay portfolios are valued by using the net asset value (NAV) per share (or its equivalent), as a practical expedient.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual receivables from rents, contracts, and others. There was an allowance of \$-0- as of both September 30, 2018 and 2017.

**Contributions**

Contributions are recognized when the donor makes a gift to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property, Equipment, and Depreciation**

The Organization capitalizes all expenditures for property and equipment costing \$1,000 or more that have an estimated useful life of more than one year. All property and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets as follows:

Equipment and Vehicles	3 to 7 Years
Furniture and Fixtures	3 to 10 Years
Buildings and Improvements	10 to 40 Years

**Impairment of Long-Lived Assets**

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell.

**Loan Fees**

Loan fees are amortized over the term of the mortgage loan using the straight-line method. Accumulated amortization at September 30, 2018 and 2017 was \$3,141 and \$2,827, respectively.

**Donated Services, Materials, and Supplies**

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Donated materials and supplies are recorded at fair market value. For the years ended September 30, 2018 and 2017, the Organization received \$172,992 and \$93,188, respectively, in donated services, materials or supplies.

**Functional Expense Allocation**

Functional expenses have been allocated between program services, management and general, and fundraising based on an analysis of personnel time and space utilized for the related activities.

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Board-Designated Unrestricted Net Assets**

The board has designated a portion of unrestricted net assets in 2018 and 2017 as a Special Projects Reserve designed to cover costs of special projects that could not be financed from normal sources of revenue and as a Building Reserve designated for improving and replacing capital equipment and other facilities improvements. All remaining excess funds are allocated to the designated investment fund. These designations are at the board's discretion and all or any part of these designations may be re-designated for the general purpose of the Organization.

**Income Tax Status**

The Organization is a nonprofit organization exempt from paying corporate federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). It has been classified as an organization that is not a private foundation under the IRC and charitable contributions by donors are tax deductible.

The Organization has evaluated its tax positions and determined it has no uncertain tax positions for the years ended September 30, 2018 and 2017.

**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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

Prior year amounts have been reclassified, where appropriate, to conform to the current year method of presentation. These changes had no impact on the change in net assets.

**Recent Accounting Pronouncements**

**Revenue Recognition**

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Organization for annual periods beginning after December 15, 2018. Early adoption is permitted beginning for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period.

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Accounting Pronouncements (Continued)**

**Leases**

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted.

**Clarifying Scope and the Accounting Guidance for Contributions**

In June 2018, the FASB issued amended guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This amended guidance distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in Subtopic 958-605, *Not-for-Profit Entities – Revenue Recognition*, should be followed. For exchange transactions, Topic 606, *Revenue from Contracts with Customers*, should be followed. In addition, once a transaction is deemed to be a contribution, this amended guidance assists in determining whether a contribution is conditional or unconditional and, if unconditional, whether the transaction is donor restricted for a limited purpose or timing. The guidance should be applied on a modified prospective basis. As a resource recipient, the guidance will be effective for the Organization for annual periods beginning after December 15, 2018. Early adoption is permitted.

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Accounting Pronouncements (Continued)**

**Financial Statements of Nonprofit Entities**

In August 2016, the Financial Accounting Standards Board (FASB) issued amended guidance to improve the current net asset classification requirements and the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. The main provisions of the update are:

- Present on the face of the statement of financial position amounts for two classes of net assets at the end of the year, rather than the current three classes.
- Present on the face of the statement of activities the amount of the change in each of the two classes of net assets.
- Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting. However, no longer require the presentation or disclosure of the indirect method reconciliation, if using the direct method.
- Enhanced disclosures in the following areas:
  - Board-designated net assets
  - Donor restricted net assets
  - Qualitative and quantitative information on liquidity
  - Amounts of expenses by both their natural and functional classification
  - Methods used to allocate costs among program and supporting functions
  - Underwater endowments
- Report investment return net of external and direct internal investment expenses and no longer require disclosures of those netted expenses.

The amendments should be applied on a retrospective basis in the year that the pronouncement is first applied. The standard will be effective for the Organization for annual periods beginning after December 15, 2017. Early adoption is permitted.

**NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS**

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework of accounting principles generally accepted in the United States of America. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The measurement framework defines levels within the hierarchy based on the reliability of inputs as follows:

*Level 1* – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

*Level 2* – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Fair values of assets and liabilities measured on a recurring basis at September 30, 2018 are as follows:

<u>September 30, 2018</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Investments				
Exchange Traded Funds	\$ 442,775	\$ 442,775	\$ -	\$ -
Mutual Funds:				
Mid-Term Bond	378,730	378,730	-	-
Small Blend	46,795	46,795	-	-
Large Blend	224,884	224,884	-	-
Mid Growth	30,980	30,980	-	-
World Bond	154,221	154,221	-	-
Total Assets	<u>\$ 1,278,385</u>	<u>\$ 1,278,385</u>	<u>\$ -</u>	<u>\$ -</u>

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

Fair values of assets and liabilities measured on a recurring basis at September 30, 2017 are as follows:

September 30, 2017	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments				
Exchange Traded Funds	\$ 182,363	\$ 182,363	\$ -	\$ -
Mutual Funds:				
Short-Term Bond	43,502	43,502	-	-
Mid-Term Bond	66,512	66,512	-	-
Small Blend	20,519	20,519	-	-
Large Blend	101,723	101,723	-	-
Mid Growth	14,303	14,303	-	-
World Bond	77,400	77,400	-	-
Total Assets	<u>\$ 506,322</u>	<u>\$ 506,322</u>	<u>\$ -</u>	<u>\$ -</u>

Fair value for Level 1 investments include investments in mutual funds, which are listed on a national market or exchange, and are valued at the last sales price, or if there is no sale and the markets are still considered active, at the last transaction price before year-end.

Additionally, the Organization utilizes the net asset value (NAV) per share, or its equivalent for valuing certain investments in open-end funds that do not have readily determinable fair values. NAV, in many instances, may not equal fair value. Therefore, these investments measured at fair value using NAV as a practical expedient have not been categorized in the fair value hierarchy. These investments total \$447,496 and \$194,626 as of September 30, 2018 and 2017, respectively.

**Investments in Entities that Calculate Net Asset Value Per Share**

The Organization holds shares or interests in investment companies at year-end whereby the fair value of the investment held is estimated based on the NAV per share (or its equivalent) of the investment company.

At year-end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	NAV		September 30, 2018 and 2017		
	2018	2017	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Overlay Portfolios	<u>\$ 447,496</u>	<u>\$ 194,626</u>	<u>\$ -</u>	Daily	Immediately



**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
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**NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**Investments in Entities that Calculate Net Asset Value Per Share (Continued)**

The overlay portfolio classes includes investments in publicly-traded equities, fixed income, and commodities. The fair values of the investments in this class have been estimated using the NAV per share of the investments.

**NOTE 3 INVESTMENTS**

Investments as of September 30, 2018 are as follows:

<u>September 30, 2018</u>	<u>Cost</u>	<u>Market</u>	<u>Appreciation (Depreciation)</u>
Investments			
Exchange Traded Funds	\$ 381,537	\$ 442,775	\$ 61,238
Mutual Funds:			
Mid-Term Bond	157,982	378,730	220,748
Small Blend	43,506	46,795	3,289
Large Blend	218,580	224,884	6,304
Mid Growth	29,651	30,980	1,329
Open-End Fund	427,015	447,496	20,481
World Bond	156,877	154,221	(2,656)
Total Assets	<u>\$ 1,415,148</u>	<u>\$ 1,725,881</u>	<u>\$ 310,733</u>

Investments as of September 30, 2017 are as follows:

<u>September 30, 2017</u>	<u>Cost</u>	<u>Market</u>	<u>Appreciation (Depreciation)</u>
Investments			
Exchange Traded Funds	\$ 167,902	\$ 182,363	\$ 14,461
Mutual Funds:			
Short-Term Bond	45,636	43,502	(2,134)
Mid-Term Bond	65,732	66,512	780
Small Blend	19,631	20,519	888
Large Blend	90,273	101,723	11,450
Mid Growth	12,089	14,303	2,214
Open-End Fund	179,777	194,626	14,849
World Bond	72,727	77,400	4,673
Total Assets	<u>\$ 653,767</u>	<u>\$ 700,948</u>	<u>\$ 47,181</u>

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
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**NOTE 3 INVESTMENTS (CONTINUED)**

Investment income is summarized as follows:

	2018	2017
Interest and Dividends, Net of Fees	\$ 21,845	\$ 10,399
Realized and Unrealized Gains	16,575	32,027
Investment Income from Portfolio	38,420	42,426
Other Interest Income	19,311	4,755
Total Investment Income	\$ 57,731	\$ 47,181

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment as of September 30, 2018 and 2017 consisted of the following:

	2018	2017
Land	\$ 676,828	\$ 676,828
Buildings and Improvements	5,980,071	5,980,071
Furniture and Fixtures	373,805	373,805
Equipment and Automobiles	830,404	739,391
Construction in Progress	2,588	-
Total	7,863,696	7,770,095
Less: Accumulated Depreciation	(3,874,232)	(3,652,720)
Property and Equipment, Net	\$ 3,989,464	\$ 4,117,375

**NOTE 5 ESCROW ACCOUNTS**

Escrow accounts at September 30, 2018 and 2017 consist of the following:

	2018	2017
Resources for Repair and Maintenance	\$ 18,909	\$ 16,479
Insurance Escrow	15,298	14,627
Real Estate Tax Escrow	4,221	4,165
Total	\$ 38,428	\$ 35,271

The Organization makes monthly deposits into the insurance and repairs and maintenance escrow accounts.

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
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**NOTE 6 DEFERRED REVENUE**

During 2006, the Organization received a grant for \$48,000 for the construction and rehabilitation of Blackhawk Manor for the Affordable Housing Program (AHP). The Organization's liability is reduced annually over a period of 15 years based on a pro rata share of the grant provided that no defaults occur under the grant agreement. Should a default occur under the agreement, the Organization is liable for the remaining portion of the grant.

Deferred revenue consisted of \$3,200 and \$6,400 from AHP at September 30, 2018 and 2017, respectively.

**NOTE 7 NOTES PAYABLE**

Notes payable as of September 30, 2018 and 2017 consisted of the following:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Interest-free note payable to the city of Chicago, single payment, maturing on May 12, 2033, collateralized by a first mortgage on the related building and land.	\$ 2,518,854	\$ 2,518,854
Interest-free note payable to the Illinois Housing Development Authority, due in monthly payments of \$688, maturing in September of 2046, secured by the related land and buildings.	231,687	239,937
Note payable to MB Financial, through October 2021 monthly principal payments of \$972 plus interest at the LIBOR rate (3.567% at September 30, 2017) with payment terms to be readjusted in 2021 and 2026 and interest to be determined based on an adjusted treasury rate plus 2.5%, maturing October 2031. Paid in full during 2018.	-	350,000
Total	2,750,541	3,108,791
Less: Current Portion	<u>(8,250)</u>	<u>(8,250)</u>
Long-Term Portion	<u>\$ 2,742,291</u>	<u>\$ 3,100,541</u>

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
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**NOTE 7 NOTES PAYABLE (CONTINUED)**

Future scheduled maturities of long-term debt are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2019	\$ 8,250
2020	8,250
2021	8,250
2022	8,250
2023	8,250
Thereafter	2,709,291
Total	<u>\$ 2,750,541</u>

Interest expense was \$2,625 and \$-0- at September 30, 2018 and 2017, respectively. \$692 and \$3,210 of interest incurred was capitalized as part of building construction during the years ended September 30, 2018 and 2017, respectively.

**NOTE 8 UNRESTRICTED NET ASSETS**

Unrestricted net assets consisted of the following at September 30, 2018:

	<u>Beginning Balance</u>	<u>Increases/ (Decreases)</u>	<u>Uses of Board- Designated Funds</u>	<u>Transfers In (Out)</u>	<u>Ending Balance</u>
Unrestricted, Undesignated	\$ 1,057,441	\$ 260,628	\$ -	\$ -	\$ 1,318,069
Board-Designated Building Reserve	288,903	-	(410,547)	231,644	110,000
Board-Designated Special Projects Reserve	1,735,107	-	(20,000)	(1,685,107)	30,000
Board-Designated Investments	-	132,418	-	1,453,463	1,585,881
Total Unrestricted Net Assets	<u>\$ 3,081,451</u>	<u>\$ 260,628</u>	<u>\$ (430,547)</u>	<u>\$ -</u>	<u>\$ 3,043,950</u>

Unrestricted net assets consisted of the following at September 30, 2017:

	<u>Beginning Balance</u>	<u>Increases/ (Decreases)</u>	<u>Uses of Board- Designated Funds</u>	<u>Transfers In (Out)</u>	<u>Ending Balance</u>
Unrestricted, Undesignated	\$ 450,565	\$ 578,300	\$ -	\$ 28,576	\$ 1,057,441
Board-Designated Building Reserve	288,903	-	-	-	288,903
Board-Designated Special Projects Reserve	1,640,696	150,012	(12,042)	(43,559)	1,735,107
Board-Designated Investments	-	-	-	-	-
Total Unrestricted Net Assets	<u>\$ 2,380,164</u>	<u>\$ 728,312</u>	<u>\$ (12,042)</u>	<u>\$ (14,983)</u>	<u>\$ 3,081,451</u>

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
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**NOTE 9 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at September 30:

	<u>2018</u>	<u>2017</u>
Vehicle Capital Campaign	\$ 5,850	\$ 3,000
Retirement Research Fund Grant for Moving Program	-	30,000
North Shore Exchange Grant for Moving Program	<u>44,000</u>	<u>19,000</u>
Total	<u>\$ 49,850</u>	<u>\$ 52,000</u>

**NOTE 10 OPERATING LEASE COMMITMENT**

The Organization is committed under a lease agreement for office space through July 2023. The lease provides for a base monthly rental plus a percentage of the property taxes based on the Organization's proportionate share of the lease space. Rent expense was \$38,643 and \$37,096 for the years ended September 30, 2018 and 2017, respectively. Future minimum payments on the lease are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2019	\$ 40,842
2020	42,292
2021	43,741
2022	45,191
2023	<u>38,667</u>
Total	<u>\$ 210,733</u>

**NOTE 11 RETIREMENT PLAN**

The Organization has a contributory, defined contribution retirement plan covering full-time employees who have met certain requirements as to length of service. Annual contributions to the plan are made at the discretion of the board. Total retirement plan expense for the years ended September 30, 2018 and 2017 was \$13,222 and \$12,423, respectively.

**NOTE 12 RELATED PARTY TRANSACTIONS**

At September 30, 2018 and 2017, the Organization received \$25,737 and \$12,031, respectively, in individual contributions from its board members.

**NOTE 13 CONCENTRATIONS**

For the year ended September 30, 2017, one grantor contributing towards facility rehabilitation accounted for 31% of total revenues. There were no donors accounting for more than 10% of total revenues for the year ended September 30, 2018.

**HOUSING OPPORTUNITIES AND MAINTENANCE FOR THE ELDERLY, INC.**  
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**NOTE 14 SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 15, 2019, the date the financial statements were available to be issued.

