



CITY OF FLAGSTAFF

FOR CITY STAFF / RANKING COMMITTEE USE ONLY

Attachment E – Ranking Form and Evaluation Criteria

City staff and the Ranking Committee will use this form to evaluate proposals. Consideration is given to past performance of the submitting applicant.

Applicant (Organization's Legal Name):

Housing Solutions of Northern Arizona

Program Name:

Homeless Transitional Housing Services

Funding Request:

\$276,089.40

Total Program Cost:

\$1,013,192.00

Does the application meet the threshold criteria for review? **YES/NO**

Average Score:

Average of all evaluator scores based on Total Points – 80

Points Possible: 90

Comments:

73 Units – 82 households based on avg. turnover

Transitional Housing Operations and Move-In Assistance

- + Transitional Housing that can serve families is greatly needed
- + Experience with federal and state grants
- + Great financial status – Low risk
- + Thoroughly audited

- Concern about construction delays at JoJo's Place



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Applicant Information (18/20 points)

1. Does the applicant provide an overview of the entity and provide evidence demonstrating a history of and experience carrying out similar programs?

(Not at all) 0 1 2 3 4 5 6 7 8 9 10 (Very much)

Comments (required for scores 5 and under):

2. How well does the answer explain how the entity collects data and measures outcomes?

(Not at all) 0 1 2 3 4 5 (Very much)

Comments (required for scores 2 and under):

3. Is the applicant participating in the Front Door of Coconino County and/or a participating member of the Continuum of Care? Is evidence included?

(No) 0 5 (Yes)

Proposed Program (34/40 points)

1. How well does the answer provide a detailed description of the program? Does the description include program specifics as well as highlight how the program might serve persons impacted by the ruling on Freddy Brown, et al. v. City of Phoenix (court decision to clear and clean The Zone); the expiration of the Public Health Act (Title 42) as it pertained to the border between Arizona and Mexico; or the closure of sober living homes and residential facilities?

(Not at all) 0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 (Very much)

Comments (required for scores 5 and under):

2. How well does the answer justify the local need for the proposed program? Does the answer provide a clear description of the proposed beneficiaries and performance metrics?

(Not at all) 0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 (Very much)

Comments (required for scores 5 and under):



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3. Does Attachment C (Schedule of Completion) include a narrative summary describing the expenditure of funds and the predicted progress of the proposed schedule?

(Not at all) 0 1 2 3 4 5 (Very much)

Comments (required for scores 2 and under):

4. Does Attachment D (Budget) include a comprehensive budget for this proposed Program? Is a narrative summary describing exactly what Local Recovery Funds will pay for included?

(Not at all) 0 1 2 3 4 5 (Very much)

Comments (required for scores 2 and under):

Fiscal Management and Applicant Capacity (18/20 points)

1. Does the applicant demonstrate a history and realistic capacity for administering these funds and undertaking this Program?

(Not at all) 0 1 2 3 4 5 6 7 8 9 10 (Very much)

Comments (required for scores 5 and under):

2. Has the applicant received City of Flagstaff funding in the past? Is the Applicant in good standing to receive federal and/or another City of Flagstaff funding?

(Not at all) 0 1 2 3 4 5 6 7 8 9 10 (Very much)

Comments (required for scores 5 and under)

General Criteria (10/10 points)

1. How realistic is the schedule of completion? Was the correct format used in creating the schedule? How realistic is the program budget and is the program cost effective? Was the correct format used?

(Not at all) 0 1 2 3 4 5 (Very)

Comments (required for scores 2 and under):

2. Has the applicant exhibited competence in preparing the application? Are the applicant's answers complete, thorough, well-written, correct grammar, easy to follow format, etc.

(Not at all) 0 1 2 3 4 5 (Very)

Comments (required for scores 2 and under):



Homeless Shelter & Services

Attachment A – Applicant Information

Applicant (Organization’s Legal Name):

Housing Solutions of Northern Arizona, Inc.

Executive Director/CEO/Etc. Name, Phone and Email:

Devonna McLaughlin; (928) 214-7456; devonnam@housingnaz.org

Program Manager Name, Phone and Email:

Kelly Wells, Sharon Manor; (928) 853-3525; kellyw@sharonmanor.org; Vacant, JoJo’s Place

Mailing Address:

PO Box 30134

Flagstaff, AZ 86003

Physical Address:

2304 N. 3rd St.

Flagstaff, AZ 86004

Is the applicant a 501 (c) 3 non-profit organization, for-profit entity, developer, business, government entity or other (please explain)?

501c3 nonprofit organization

Federal EIN/TIN #:

86-0732457

Unique Entity ID:

J1DTBNWXNZ99

Registered in the Federal System for Award Management (SAM)? YES / NO

Participating member of the Coconino County Continuum of Care? YES / NO

Funding Request:

Total Program Cost:

Program Name:

Homeless Transitional Housing Services

Brief Description of Program (2-3 sentences):

Housing Solutions of Northern Arizona, Inc. (HSNA) will provide transitional housing services to an estimated 82 households experiencing homelessness in the Flagstaff area. Specifically, services will be offered at Sharon Manor and JoJo's Place, our transitional housing programs. 100% of beneficiaries will be low-income, earning less than 80% of the area median income, and will be experiencing homelessness at the time they begin their stay with HSNA.

If the program already exists, explain how funding creates an increase in services?

Funds will be used to provide operating support at Sharon Manor and JoJo's Place; as JoJo's Place is a new transitional housing program in our community, we will increase our transitional housing supply by 151%, serving an additional 44 households during the grant period.

Beneficiary Description:

Low-income households experiencing homelessness; 100% of clients served will earn 80% AMI and below.

Proposed Outcomes:

After taking average turnover into consideration, 73 units of transitional housing will serve an estimated 82 households in the greater Flagstaff area with transitional housing – combining safe, decent and affordable housing with support services, enabling homeless households to transition to permanent, safe, affordable housing.

AUTHORIZED SIGNATURE OF APPLICANT:

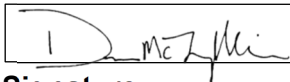
The signatory declares that he/she is an authorized official of the applicant organization, is authorized to make this application, is authorized to commit the organization in financial matters, and will assure that any funds received as a result of this application are used for the purposes set forth herein and the organization will comply with all contractual obligations.

Devonna McLaughlin, CEO

Name and Title

Housing Solutions of NAZ

Organization



Signature

10/9/2023

Date

Please attach:

Authorization to Request Funds/Authorized Signature Authority

Documentation of formal authorization from applicant to request Local Recovery Funds and documentation of authorized signature authority (e.g., bylaws, official resolution, or a copy of the minutes of the meeting in which an action was taken)



Mail PO Box 30134, Flagstaff, AZ 86003 Office 2304 N 3rd St, Flagstaff, AZ 86004
Phone (928) 214-7456 Fax (928) 774-6937
Relay Service for Hearing Impaired 711

**BOARD RESOLUTION
APPROVING HOUSING SOLUTIONS OF N. ARIZONA, Inc.'s
APPLICATION FOR
HOMELESS SHELTER AND SERVICES
FUNDING FROM THE CITY OF FLAGSTAFF**

WHEREAS, Homeless Shelter and Services funding is available through the City of Flagstaff to benefit households in the Flagstaff community experiencing homelessness, and

WHEREAS, Housing Solutions of N. Arizona, Inc., a local nonprofit organization, has successfully utilized federal, state and local funding to provide shelter and supportive services to households experiencing homelessness for 25 years, and

WHEREAS, one of the primary goals of these Homeless Shelter and Services funding dollars is to provide safe, decent and affordable housing resources to households experiencing homelessness in Flagstaff,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF HOUSING SOLUTIONS OF N. ARIZONA, INC. AS FOLLOWS:

The Board of Directors of Housing Solutions of N. Arizona, Inc. directs staff to apply for Homeless Shelter and Services funding through the City of Flagstaff to be used for to support Sharon Manor Transitional Housing and JoJo's Place Transitional Housing programs. Both programs provide shelter and support to households experiencing homelessness in the greater Flagstaff area. All households served under this grant funding will be under 80% of the area median income, based on household size, during the compliance period.

PASSED AND ADOPTED by the Housing Solutions of N. Arizona, Inc. Board of Directors Executive Committee at a special meeting where a quorum was present, held on October 2, 2023.


Kathy Gimenez, Housing Solutions of N. Arizona Board President


Jennifer Sharp, Housing Solutions of N. Arizona Board Secretary



Federal Tax Exempt Number 86-0732457
AHC Construction, LLC, General Contractor (ROC 188417) (ROC 282702)
housingnaz.org



Attachment B – Program Narrative Questions

Each proposal must include responses to the questions below. Proposal information should be presented in narrative form but may include tables or graphics to convey pertinent information.

Applicant Information (20 points)

- 1. (10 points) Please provide a description of the applicant entity, including a brief history, mission statement, and an overview of programs and services provided. Explain why the applicant is qualified to provide the proposed services or undertake the proposed program.**

Housing Solutions of Northern Arizona (HSNA) was founded in 1990 as the Affordable Housing Coalition. The Mission of HSNA is to build opportunity for sustainable, affordable housing in northern Arizona. The Vision of the organization is that all residents will have access to safe, decent and affordable housing with an opportunity for upward mobility. HSNA meets its mission through a myriad of programs, focused on helping low- and moderate-income households to meet their housing needs and remain safely and stably housed. Specifically, HSNA administers the following housing programs:

- Sharon Manor Transitional Housing – Sharon Manor is a 29-unit apartment complex located in Flagstaff, AZ. Units are leased to low-income households experiencing homelessness with a history of domestic violence. Sharon Manor combines safe, decent and affordable housing with critical on-site support services. Our case managers work with residents to help them access community resources, increase income, access educational resources, improve health and learn skills/resources to remain from abusive relationships and break the generational cycle of domestic violence. Children victims of domestic violence living at Sharon Manor access tutoring/educational resources, children’ group activities weekly, quarterly special events and field trips. Our case managers work with parents to help children access resources within the school district, helping with developmental delays and learning disabilities. The goal of Sharon Manor is to enable victims of domestic violence to transition from homelessness and abuse to permanent housing with healthy and safe futures. Sharon Manor opened in 1999 and expanded in 2001 and 2021.
- Permanent Rental Housing – HSNA owns and operates 24 scattered-site affordable permanent housing rental properties. These homes are rented to low-income households. The vast majority of our permanent housing units benefit victims of domestic violence, households on fixed incomes/disability or single-parent households. We partner with Catholic Charities, leasing four rental properties to CC, who serve chronically homeless households and individuals exiting the criminal justice system. On these properties, HSNA provides ongoing property management support while Catholic Charities provides case management services to residents, ensuring they are stable and have access to resources. HSNA is working to expand its inventory of permanent affordable rental units so we can help additional households struggling with high housing costs in our community. We are under contract to purchase two condo units in Flagstaff when construction is complete. We will utilize CDBG funds and private financing to purchase the units, which will be leased to low-income households, earning less than 80% of the area median income.

- HUD-Approved Housing Counseling – HSNA is a HUD-approved housing counseling agency. We provide pre-purchase, foreclosure mitigation, financial literacy and rental counseling to households in our community, helping them to prepare for homeownership and understand housing options. HSNA counselors are trained and certified through HUD to provide housing counseling and education services to households in northern Arizona. HSNA has adopted the National Housing Counseling Industry Standards; our program meets both HUD guidelines and National Industry Standards, ensuring clients needs are met and that we follow industry best practices.
- Administration of Financial Assistance for First-Time Homebuyers – HSNA works with several partners to administer down payment/closing cost assistance to help first-time, income-eligible homebuyers open the door to homeownership. Since 1999, we have provided financial assistance to nearly 450 households in northern Arizona, helping to open the door to homeownership. This is a critical workforce housing tool, stabilizing our workforce and supporting economic development. When employees have an opportunity to purchase their first home, they are more likely to stay in the community and less likely to be housing cost burdened. HSNA has administered \$8.2 million in direct financial assistance, leveraging \$68 million in mortgage financing and \$3.7 million in client contributions. Average AMI of households served is 82.1%. 38% of program buyers are female-headed households.
- JoJo's Place Transitional Housing – JoJo's Place is the first hotel we purchased utilizing federal recovery/Covid dollars. We utilized federal, local and private-sector funding to convert the hotel property into 44 studio apartments which will provide transitional housing to households experiencing homelessness. JoJo's Place will open for leasing in January/February 2024, after extensive remodel of the property. HSNA has completed the following remodel work: (1) addition of a sprinkler system to the property for safety and to meet fire code regulations; (2) removal of asbestos-containing drywall; (3) addition of kitchens to each of the units; (4) ADA accessibility upgrades to units on the property, as well as the office building; (5) addition of on-site laundry services; (6) upgrades to electrical, plumbing and HVAC. JoJo's Place will provide transitional housing resources to households experiencing homelessness in Flagstaff. We have partnered with Catholic Charities, who will provide on-site housing case management support to residents, helping them to identify and secure permanent, safe and affordable housing.
- Affordable Housing Development – HSNA is a Community Housing Development Organization (CHDO), which means one of our main goals is to create affordable housing through development (new construction and rehabilitation). We have constructed 60+ single family and townhomes in Flagstaff, which have been sold to low-income first-time homebuyers or leased to low-income households. We recently received notification of a HOME-ARP grant from the Arizona Dept. of Housing to construct 11 3-bedroom apartments on land owned by the City of Flagstaff. We hope to begin construction in 2024. Rental units will be leased to extremely-low income households or those experiencing homelessness or those with a history of domestic violence. We have also purchased a second hotel property, located in Cottonwood, AZ. Rehabilitation of the property has started; we expect rehab to be completed in 2024. The property will then provide 32 units of transitional housing, supporting households experiencing homelessness in the Verde Valley area.

HSNA is qualified to provide transitional housing support to households experiencing homelessness in the greater Flagstaff area, as proposed through this grant application, as we have been providing these services for the past 24 years at Sharon Manor.

Through this grant application, we propose to continue to provide critical transitional housing resources at Sharon Manor, as well as expanding services to assist an additional estimated 44 households through our JoJo's Place Transitional Housing program. HSNA case managers and property managers are experts in working with households experiencing homelessness, helping individuals and families to navigate housing resources, increase household self-sufficiency and remain stable in housing. We partner with community services providers to ensure clients are able to meet their immediate and long-term needs.

2. (5 points) Describe how the entity collects and maintains data, measures activities versus outcomes and how data is used for program planning, evaluation, and improvement.

HSNA has extensive experience in collecting, analyzing and sharing data with the community about our program impacts and community housing conditions. Specifically, we report data and outcomes to various grant funders on quarterly and annual basis. This includes reports to government funders such as the Arizona Department of Economic Security, the federal Department of Housing and Urban Development, the AZ Department of Public Safety (for Victims of Crime Act funding) and the City of Flagstaff. We also report to the public, sharing data through our social media, website and annual reports.

In addition to data, HSNA solicits feedback from the clients we serve. We conduct monthly and quarterly client surveys for residents who live at Sharon Manor. This optional and anonymous survey gives residents an opportunity to share feedback about the program, staff interactions, property conditions, etc. We report client feedback and data to our Sharon Manor Oversight Committee, which works with staff to make changes to the program, as appropriate, based on client feedback. For example, we utilized client feedback regarding our visitor policy at Sharon Manor to revise the visitor policy last year. In addition to the surveys, we conducted focus groups with current and former residents to gain additional feedback, as we worked to balance property safety with flexibility for residents. The resulting visitor policy allows more leniency for visitor hours, length of stay and overnight visits, but still requires visitor check-in and background checks for safety. Once JoJo's Place begins serving households in early 2024, we will implement similar client feedback strategies, helping with program design and implementation.

HSNA is prepared to provide outcomes, data, client survey results and client impact stories to the City of Flagstaff to demonstrate the impact of this grant for households experiencing homelessness served by our agency.

3. (5 points) Is the applicant participating in the Front Door of Coconino County and/or a participating member of the Continuum of Care? To what extent does the applicant participate? An MOU with or letter from the CoC confirming entity participation is required.

Yes. HSNA is an active member of the Coconino County Continuum of Care. HSNA's leadership (CEO) serves as the chair of the Continuum of Care's Advocacy Committee and is a member of the CoC Executive Committee. HSNA staff attend CoC meetings every other month. We also are active participants in weekly case conferencing, which is part of the Front Door Coordinated Entry system. HSNA's Sharon Manor Program Manager and/or Case Manager attends case conferencing weekly, receiving referrals from the Front Door staff for Sharon Manor, our existing transitional housing program. We commit to having the housing case manager and/or the property manager at JoJo's Place participate in weekly case conferencing meetings.

Kristine Pavlik
Housing and Grants Administrator
City of Flagstaff Housing Section
3481 N Fanning Drive
Flagstaff, Arizona 86004

February 22, 2023

Dear Ms. Pavlik,

Housing Solutions of Northern Arizona (HSNA) is an active member of the Coconino County Continuum of Care to End Homelessness (CoC), working in partnership with other services providers to develop and implement strategies to prevent and end homelessness in Northern Arizona. HSNA participates in bi-monthly local CoC meetings, has representation on steering committees, and attends bi-monthly Executive Committee meetings to participate in strategic planning and Arizona Department of Housing reporting. CEO, Devonna McLaughlin also chairs the Advocacy Committee. The Mission of the CoC is to be a united coalition of community systems, to assist community members who experience homelessness and/or near homelessness to obtain housing, achieve economic stability, and enjoy enhanced quality of life through the delivery of coordinated and comprehensive services.

Sincerely,



Heather Marcy
Co-Chair - Coconino County Continuum of Care to End Homelessness
Deputy Director, Northland Family Help Center
928-233-4306
hmarcy@northlandfamily.org

Proposed Program (50 points)

- 1. (15 points) Describe how the proposed program will provide shelter and/or services to unsheltered persons who are experiencing homelessness. Highlight any shelter or service programs designed to serve persons impacted by the ruling on Freddy Brown, et al. v. City of Phoenix (court decision to clear and clean The Zone); the expiration of the Public Health Act (Title 42) as it pertained to the border between Arizona and Mexico; or the closure of sober living homes and residential facilities. The description should also include program specifics such as the requested funding amount, program start date, program end date (if applicable), and anticipated number of persons served during the period of performance.**

Homeless Shelter and Services funding through the City of Flagstaff will provide transitional housing to an estimated 82 households in the greater Flagstaff area who are experiencing homelessness. Households will access transitional housing resources through our ongoing Sharon Manor Transitional Housing program, or through our new JoJo's Place Transitional Housing Program, scheduled to open in January 2024. HSNA will identify potential residents for both programs through partnerships with the Coordinated Entry Front Door Program, operated by Catholic Charities and Flagstaff Shelter Services.

While it's possible that some clients on the Coconino County By Name List who are participating in the Front Door Coordinated Entry program have impacted by the ruling on Freddy Brown, et al. v. City of Phoenix, it's not likely that a high percentage of households experiencing homelessness in our community have been impacted by this court decision or the expiration of the Public Health Act as it pertained to the border between Arizona and Mexico. We may see folks on our local By Name List who are impacted by the closure of sober living homes and residential facilities, but we have no way of knowing how many existing clients on the local list would meet this criteria.

HSNA is requesting \$276,089.40 in funding support through the Homeless Shelter and Services grant. Funding would support Sharon Manor Transitional Housing program, which is an ongoing program, as well as JoJo's Place Transitional Housing program, which is a new/expansion program for our organization. Start date for Sharon Manor (for grant billing purposes) would be July 1, 2023 and the start date for JoJo's Place is estimated to be in January 2024. We will hire staff for JoJo's Place in the next 60 days and expect to begin leasing units in mid-January, once we get our Certificate of Occupancy from the City of Flagstaff. Construction/rehab completion has been delayed as our electrical panels for the property are on back order (since last December). We've requested delivery to be expedited, but are unsure if that request will be honored. While both programs are ongoing, the end date for billing under this grant is June 30, 2024 and that will be honored.

We anticipate serving 82 households under the grant program (196.8 persons, based on an average household size of 2.4 people).

Both programs will provide critical transitional housing support to households experiencing homelessness. Transitional housing is defined by the length of stay (24 months) and the provision of wrap-around support services, which are offered to clients in a victim-centered, client-driven manner, helping residents to increase resources, build

stability and identify and secure safe, decent and affordable permanent housing. HSNA has a track record of success in operating transitional housing through its ongoing Sharon Manor Program. Sharon Manor will celebrate its 25th anniversary in 2024. JoJo's Place is a critical expansion of transitional housing resources in our community, an increase of 44 units.

- 2. (15 points) Describe the proposed beneficiaries the program will serve. Include local statistics/data or other information to demonstrate the need for this program. Provide information regarding performance metrics- identify and list specific measures that will be reported to demonstrate the impact of this funding. Example: Number of individuals served, shelter nights provided, move in assistance, etc. evaluation, including how the program evaluates services and the impact on clients.**

Both JoJo's Place and Sharon Manor serve households experiencing homelessness in the greater Flagstaff area. Sharon Manor, specifically, serves households experiencing homelessness with a history of domestic violence. JoJo's Place will serve all households experiencing homelessness regardless of past DV experience. 100% of households served will be homeless. 100% of households served will be low-income. At JoJo's Place, household income cannot exceed 60% of the area median income (AMI) as defined annually by HUD. At Sharon Manor, 16 units serve households under 60% AMI and 13 units serve households under 80% AMI.

During the reporting period, HSNA projects we will provide transitional housing to 82 households experiencing homelessness in the greater Flagstaff area.

The need for transitional housing resources in our community is ongoing and increasing. Most recent By Name List data indicates there are 684 households in the greater Flagstaff area experiencing homelessness (10/2/2023). Of those households, 44 (6% are veterans), 28% are chronically homeless and 14% have a history of domestic violence. The number of households experiencing homelessness has increased over the past 9 months. In January, 620 households were on the By Name List as experiencing homelessness. Most recent data indicates there are 684 households in our area experiencing homelessness – a 10% increase over the past 9 months.

The answer to solving homelessness is housing. JoJo's Place and Sharon Manor both provide housing resources to households experiencing homelessness. Clients sign 12-month leases, which can be renewed for an additional 12-month period. Although transitional housing is not permanent housing, it does provide stability to households, which benefit from the longer-term stability and wrap around support services.

HSNA will report on the following metrics during the grant funding period:

- Number of households (and individuals) accessing transitional housing.
- Demographic information for households accessing transitional housing.
- Amount of move-in and rental assistance provided to households accessing transitional housing. This includes totals, as well as averages. It also will include the number of households receiving move-in assistance.
- Number of households who access permanent housing during the grant funding period, as well as information on household length of stay in transitional housing.
- Number and percentage of households who increase income during their time in transitional housing.

- Number and percentage of households who improve health (mental and physical health) during their time in transitional housing (as reported by clients and case managers and documented in case notes).
- Number and percentage of households who access community resources (food support, mental health and physical health support, employment services, resources for children experiencing homelessness, etc.).
- Client feedback and satisfaction, as documented through quarterly client surveys (anonymous and optional).

3. (10 points) Provide information about the timeline for program implementation and expenditure of funds. Keep in mind all funds need to be expended by June 30, 2024. This narrative should align with the timeline provided in Attachment C.

HSNA will spend all funds awarded during the grant period ending June 30, 2024. We are seeking funding for operating costs for our ongoing Sharon Manor program. We will bill for Sharon Manor expenses incurred July 1, 2023 through June 30, 2024, including partial wages for our Sharon Manor Program Manager and associated EREs; maintenance personnel during the time they have worked at Sharon Manor and associated EREs; utilities, insurance, technology and phone/internet expenses associated with the Sharon Manor program.

We have been working to complete renovation of our JoJo's Place Transitional Housing property and expect the property to open for client service in January 2024. We have experienced a construction delay with back-ordered electrical panels. We've been working with the national supplier to see if the panels can be expedited for delivery. If not, they are expected to be delivered in December with installation and our Certificate of Occupancy to be issued in January. The timeline provided reflects this implementation timeline and 5-6 months of operation at JoJo's Place. We will lease-up all 44 of the transitional housing units during the grant compliance period, expanding our service delivery to an additional 44 households experiencing homelessness. This reflects a 151% increase in service delivery during the grant reporting period.

The timeline provided represents ongoing operations of Sharon Manor Transitional Housing throughout the grant funding time period and new/expanded operations at JoJo's Place Transitional Housing mid-year.

4. (10 points) Provide budget details including a line-item budget for the program that includes the following categories as applicable: personnel, fringe benefits, administration, supplies, equipment, nightly stays, and other. This narrative should align with the budget provided in Attachment D.

We have provided a line-item budget documenting the use of proposed grant funding and leverage secured for the programs. Specifically, we are requesting the following funding support through the Homelessness Shelter and Services grant:

- Personnel support to help pay for a portion of the Program Manager's salaries at both Sharon Manor and JoJo's Place. We are asking for 75% of the Sharon Manor Program Manager's salary and 64% of the JoJo's Place Program Manager's salary. Payment for these staff members will help us to build internal capacity, enabling us to afford the ongoing salary costs in the future.
- Personnel support to help pay for maintenance staff costs for maintenance staff support at Sharon Manor and JoJo's Place. We are requesting grant

funding to cover 50% of projected maintenance staffing costs for Sharon Manor and JoJo's Place during the grant funding period.

- We calculated EREs @ 20% of salary expenses. We are requesting grant funding support to pay for associated EREs, based on salary expenses outlined above.
- One of our largest operating expenses is utilities. At Sharon Manor, all utilities for tenants in Building 1 are paid by HSNA. In Buildings 3 & 4, tenants pay gas and electric. At JoJo's Place, all utilities will be paid by HSNA. When tenants have utilities in their name, they can apply for utility cost reductions, as they are low-income and qualify for assistance programs through APS and UniSource. When utilities are paid by HSNA (a corporation), we do not qualify for utility cost reductions even though we continue to benefit low-income residents. At Sharon Manor Building 1 and JoJo's Place, it would be cost-prohibitive to put in individual meters for gas and electricity for each unit. Because the up-front costs were unreasonable, HSNA now pays for all utilities for these residents. HSNA also pays for water, sewer and trash service at all of our rental properties.
- We are asking for grant funding to help offset some of our insurance expenses. In 2023, property insurance premiums increased by more than 50%. Many insurance providers are leaving our market, due to increased risk of loss from wildfires and flooding. Despite the fact that we have not had an insurance claim in 10+ years, we are facing increased insurance rates to continue to insure the properties we own and manage. Grant funding will help off-set the increased insurance costs for Sharon Manor and JoJo's Place.
- Finally, we are requesting operating support for technology and telephone/internet expenses. We must fund these expenses in order to operate the properties safely and successfully. Lower rents at both properties impact our ability to pay for these operating expenses.
- We are also proposing to fund move-in expenses through the Homeless Shelter and Services grant. We know from our operating history at Sharon Manor that even our low rents and security deposits create a barrier for households with limited or low incomes. We are asking for security deposit assistance for an estimated 53 households who will move in to transitional housing after the notice to proceed is issued, as well as first month's rental assistance for those 53 households. We calculated the break-down of security deposit and rental assistance based on actual security deposits to be charged and average rents paid at Sharon Manor, adjusted for unit size.

Unit Size	Security Deposit	Average Rent	# of Units	Total
JoJo's Studio	\$250	\$500	44	\$33,000
SM Studio	\$200	\$500	3	\$2,100
2-bed	\$300	\$700	3	\$3,000
3-bed	\$400	\$750	3	\$3,450

- We know we will need to provide basic furniture necessities for households moving in to transitional housing after the notice to proceed. We calculated providing basic furniture items to 54 households, with an average furniture cost per household of \$600. This will pay for a mattress, bed frame and dresser/armoire. Total furniture costs are \$32,400. We are requesting

furniture assistance through the Homelessness Shelter and Services grant in the amount of \$12,000. Additional costs will be funded through leveraged grant support.

HSNA has documented in the attached budget leverage for our transitional housing programs. Leverage comes in many forms, including CDBG funding (for JoJo’s Start-up), rental income, private grants and donations and public sector funding such as DES transitional housing funding and Victims of Crime Act victim services dollars. All budgeted leverage is based on actual funding awards or from historic donation levels.

Fiscal Management and Applicant Capacity (20 points)

- 1. (10 points) What is the applicant’s current annual operating budget? Does the applicant undergo an annual audit? Please attach the applicant’s audit and financial statement from the most recent fiscal year.**

HSNA’s annual operating budget for FY24 is \$2,604,000. HSNA undergoes an annual audit. We are in the process of completing our FY23 financial audit (year ending 6/30/2023) and expect audited financial statements from our independent auditing company in November 2024, for approval by our Board of Directors. We are attaching FY22 audited financial statements, as those are the most recent audited financial statements our organization has at this time. Once the FY23 audited financial statements are finalized and approved by the board of directors, we will forward those documents to the City of Flagstaff. HSNA, as a recipient of federal funds, undergoes a single audit annually.

- 2. (10 points) Briefly describe the applicant’s history and realistic capacity for administering these funds. Has the applicant received City of Flagstaff funding in the past?**

HSNA has successfully administered federal, state and local funding for many projects and programs, including new construction, rehabilitation and general operations. Specifically, we get funding annually from the Arizona Department of Public Safety to provide victim-centered case management support at Sharon Manor and funding from the Arizona Department of Economic Security to provide transitional housing services to victims of domestic violence at Sharon Manor. We have received significant federal funding passed through the Arizona Department of Housing, to purchase and rehab the JoJo’s Place property, adding safety features, critical amenities and ADA accessibility. We are familiar with federal statutes and federal regulations for grant monies. Please see a listing of federal and CDBG funding below:

Date of Funding	Award Amount	Project
3/2006	\$100,00	City of Flagstaff CDBG Acq/Rehab (91C-05)
7/2006	\$30,000	City of Flagstaff CDBG Individual Development Accounts (101C-06)
7/2007	\$107,000	City of Flagstaff CDBG Acq/Rehab (90C-06)

10/2007	\$142,000	City of Flagstaff CDBG Housing Subsidy Grants (101C-07)
10/2007	\$24,031	City of Flagstaff CDBG Minor Rehab at Sharon Manor (121C-07)
11/2008	\$150,000	City of Flagstaff CDBG Acq/Rehab (91C-08)
1/2010	\$160,000	City of Flagstaff CDBG Housing Subsidy (101C-09)
6/2010	\$150,000	City of Flagstaff CDBG Rehab (91C-10)
6/2011	\$200,000	City of Flagstaff CDBG Down Payment Assist (101C-10)
6/2011	\$100,000	City of Flagstaff CDBG Down Payment Assist (101C-11)
6/2012	\$120,000	City of Flagstaff CDBG Down Payment Assist (101C-12)
6/2012	\$60,000	City of Flagstaff CDBG Rehab (91C-12)
5/2013	\$138,404	City of Flagstaff CDBG Down Payment Assist (101C-13)
5/2013	\$70,337	City of Flagstaff CDBG Job Creation (201C-13)
11/2014	\$150,000	City of Flagstaff CDBG Down Payment Assist (101c-14)
11/2017	\$120,000	City of Flagstaff CDBG Sharon Manor Apartment Rehab
6/6/2020	\$258,232.67	City of Flagstaff CDBG Sharon Manor Expansion
3/18/2021	\$244,400	City of Flagstaff CDBG Sharon Manor Communal Living Rehab
7/1/2022	\$90,288	Department of Economic Security – Transitional Housing Support for Victims of Domestic Violence
7/7/2022	\$307,875.33	City of Flagstaff CDBG Owner Occupied Housing Rehab
10/1/2022	\$145,000	Victims of Crime Act – Sharon Manor Operations
1/15/2023	\$35,000	HUD-Housing Counseling Pass-through RCAC

4/11/2023 (NTP not issued)	\$250,000	Purchase of two condo units, for permanent, affordable rental housing
4/11/2023 (NTP not issued)	\$98,000	Operating support for JoJo's Place Transitional Housing
7/1/2023	\$93,904.51	Department of Economic Security – Transitional Housing Support for Victims of Domestic Violence
10/1/2023	\$145,000	Victims of Crime Act – Sharon Manor Operations

Unscored Questions

- 1. What is the minimum amount of funding needed for the program to proceed?**
 In order to offset increased and ongoing operating expenses at JoJo's Place and Sharon Manor, HSNA would need a minimum of \$150,000 in funding through the City's Homeless Shelter and Services grant.

- 2. Is there any other information you would like the Ranking Committee to know about your program or organization that is not already covered?**
 HSNA continues to work to expand services and housing resources for households experiencing homelessness in our northern Arizona communities. We know additional housing units are critical to meet the ongoing needs of homeless households in our community and we're thrilled to be adding additional housing resources to benefit the most vulnerable in our community.

In addition to expanding programs, it is critical to continue to invest in ongoing programs that have a proven track record of success, like Sharon Manor. We see increased operating expenses at Sharon Manor as we work to keep staffing levels high (having expanded units at Sharon Manor 3 years ago, we increased staff shortly before expansion to employ two full-time adult case managers. We also increased staffing for our children's program, moving our children's program coordinator from a part-time to full-time position approximately five years ago.)

We know that client success is dependent not only on access to housing, but access to wrap around support services. This is why we have invested heavily in providing case management support to clients at Sharon Manor and JoJo's Place. Case managers work holistically with clients to meet client-driven goals for success. We operate with a client-focused, trauma-informed care approach where clients have choices in the services they receive. We find this to be empowering for clients, driving higher rates of success.

Project Budget
City of Flagstaff
Community Development Block Grant (CDBG) Program

Project Description: HSNA Homeless Shelter & Services
Implementing Agency: Housing Solutions of N. Arizona
Project No.:
Date: 10/3/2023

Households Served: 60 household		SOURCE 1	SOURCE 2	SOURCE 3	SOURCE 4	SOURCE 4	
Item and		City of Flagstaff Homeless Shelter & Services	City of Flagstaff CDBG	Rental Income	Private-sector grant funding & donations	Public-sector grant funding	Totals
Activity	Item / Activity Description						
1	Operating Costs						
A	Personnel: SM Property/Program Manager (1 FTE)	\$ 50,212.50				\$ 16,737.50	\$ 66,950.00
B	Personnel: JoJo's Property/Program Manager (1 FTE for 6 mos)	\$ 20,585.00	\$ 11,500.00				\$ 32,085.00
C	Personnel: Maintenance Personnel (2 FTE)	\$ 54,652.00		\$ 54,652.00			\$ 109,304.00
D	Personnel: Chief Operating Officer (0.5 FTE)				\$ 25,000.00	\$ 17,500.00	\$ 42,500.00
E	Personnel: Chief Executive Officer (0.25 FTE)				\$ 12,875.00	\$ 12,875.00	\$ 25,750.00
F	EREs @ 20%	\$ 25,089.90	\$ 2,300.00	\$ 10,930.40	\$ 7,575.00	\$ 9,422.50	\$ 55,317.80
G	Utilities	\$ 50,000.00		\$ 10,000.00			\$ 60,000.00
H	Insurance	\$ 12,000.00		\$ 30,000.00			\$ 42,000.00
I	Technology	\$ 5,000.00		\$ 5,000.00			\$ 10,000.00
J	Audit & Accounting			\$ 20,000.00			\$ 20,000.00
K	Telephone & Internet	\$ 5,000.00		\$ 6,800.00			\$ 11,800.00
L	Dues & Subscriptions				\$ 3,000.00		\$ 3,000.00
M	Training & Travel				\$ 3,500.00		\$ 3,500.00
N	Repairs & Maintenance (supplies & contractors)			\$ 150,000.00	\$ 50,000.00		\$ 200,000.00
2	Direct Client Benefit						
A	Move-in Assistance: Deposits & 1st Month's Rent	\$ 41,550.00					\$ 41,550.00
B	Furnishings	\$ 12,000.00			\$ 11,400.00	\$ 9,000.00	\$ 32,400.00
C	Direct Client Assistance (holidays, emergency, bus passes)				\$ 16,000.00		\$ 16,000.00
D	Direct Client Assistance (Move-out assistance)					\$ 8,000.00	\$ 8,000.00
3	Case Management						
A	Contract: Housing-based Case Manager (1 FTE for 6 months)		\$ 37,500.00				\$ 37,500.00
B	Personnel: Sharon Manor Case Managers (2 FTE)				\$ 31,446.00	\$ 80,000.00	\$ 111,446.00
C	Personnel: Sharon Manor Youth Program Coord. (1 FTE)				\$ 12,875.00	\$ 38,625.00	\$ 51,500.00
D	EREs @ 20%	\$ -	\$ -	\$ -	\$ 8,864.20	\$ 23,725.00	\$ 32,589.20
	CDBG Totals	\$ 276,089.40					
	Totals	\$ 276,089.40	\$ 51,300.00	\$ 287,382.40	\$ 182,535.20	\$ 215,885.00	\$ 1,013,192.00

Housing Solutions of Northern Arizona, Inc.
and Subsidiary
Report to the Board of Directors
June 30, 2022



November 17, 2022

To the Board of Directors of
Housing Solutions of Northern Arizona, Inc. and Subsidiary
Flagstaff, Arizona

We have audited the consolidated financial statements of Housing Solutions of Northern Arizona, Inc. and Subsidiary (the Organization) for the year ended June 30, 2022 and have issued our report thereon dated November 17, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 1, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

The costs of providing various program and supporting activities have been presented on a functional basis in the consolidated statements of activities and functional expenses. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the program and supporting services benefited based on management's estimate of employee hours and other factors devoted to each activity.

We evaluated management's methodology for determining that the allocations are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of mortgages payable in Note 8 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Report to the Board of Directors

Page Two

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have included a schedule of management's post-closing journal entries for reference (CAJE 01-04).

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 17, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements as listed in the table of contents, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting standards generally accepted in the United States of America and the Uniform Guidance, as applicable, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, noting no material inconsistencies.

We are required to communicate any audit risks that we identify to those charged with governance. We have identified the risks of management override of controls, improper revenue recognition, related party transactions, and intercompany payroll allocation as audit risks, and we have addressed those risks during the normal course of our audit.

This information is intended solely for the use of the Board of Directors and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Fester & Chapman, PLLC

Housing Solutions of Northern Arizona

Year End: June 30, 2022

Client Adjusting Journal Entries

Number	Date	Name	Account No	Debit	Credit
CAJE 01	6/30/2022	Accounts Receivable	1201	2,178	
CAJE 01	6/30/2022	VOCA	4100-52		2,178
To adjust accounts receivable.					
CAJE 02	6/30/2022	Travelodge Motel Acquisition and Rehab Costs	1896.1		43,000
CAJE 02	6/30/2022	Developer Fee	4100-48	43,000	
To adjust architect fees.					
CAJE 03	6/30/2022	Construction Income-Intercomp	4170	211,108	
CAJE 03	6/30/2022	Contract Labor	5020		8,305
CAJE 03	6/30/2022	Materials	5050		50,069
CAJE 03	6/30/2022	Subcontractor	5070		146,829
CAJE 03	6/30/2022	Waste	5090		1,532
CAJE 03	6/30/2022	Utilities-Construction	5110		1,760
CAJE 03	6/30/2022	Workers Comp	5010.5		2,613
To adjusted intercompany income.					
CAJE 04	6/30/2022	Accounts Receivable	1201	805	
CAJE 04	6/30/2022	RCAC	4100-28		805
To adjust accounts receivable.					
				257,091	257,091

**HOUSING SOLUTIONS OF NORTHERN ARIZONA, INC.
AND SUBSIDIARIES**

**Consolidated Financial Statements,
Supplementary Information and Single Audit Reports
June 30, 2022**

(with comparative totals as of and for the year ended of June 30, 2021)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Housing Solutions of Northern Arizona, Inc. and Subsidiaries
Flagstaff, Arizona

Opinion

We have audited the accompanying consolidated financial statements of Housing Solutions of Northern Arizona, Inc. (an Arizona nonprofit corporation) and affiliates, AHC Construction, L.L.C. and Lending Solutions of Northern Arizona, L.L.C. (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Housing Solutions of Northern Arizona, Inc. and affiliates as of June 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Housing Solutions of Northern Arizona, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for 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 schedule of expenditures of federal awards 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 November 17, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Fester & Chapman, PLLC

November 17, 2022

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2022
(with comparative totals as of June 30, 2021)

	2022	2021
ASSETS		
Current assets:		
Cash	\$ 1,067,278	\$ 921,046
Grants and other receivables	485,375	71,756
Other current assets	9,247	9,768
Total current assets	1,561,900	1,002,570
Property and equipment, net	10,288,028	6,111,030
Total assets	\$11,849,928	\$ 7,113,600

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 134,289	\$ 116,108
Mortgages payable, current portion	248,542	98,479
Total current liabilities	382,831	214,587
Mortgages payable, net of current portion	3,551,577	3,851,161
Obligations to be forgiven	5,198,050	1,163,105
Total liabilities	9,132,458	5,228,853
Net assets without donor restrictions	2,717,470	1,884,747
Total liabilities and net assets	\$11,849,928	\$ 7,113,600

The accompanying notes are an integral part of these financial statements.

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF ACTIVITIES
Year Ended June 30, 2022
(with comparative totals for the year ended June 30, 2021)

	2022	2021
Support, revenue and gains:		
Grant revenue	\$ 787,494	\$ 1,098,213
Contributions	905,622	700,910
Construction revenue	265,940	45,933
Sharon's Attic sales	179,430	188,377
Silent second mortgage payments received	15,180	
Rental income	593,398	448,806
Paycheck Protection Program		76,943
In-kind donations	26,289	28,983
Miscellaneous income		48,739
Total support, revenue and gains	2,773,353	2,636,904
Expenses:		
Program expenses:		
Transitional Housing	617,930	557,512
Development of Affordable Housing	56,334	28,400
Homebuyer Assistance Program	299,676	356,536
Lending Solutions	29,638	64,541
Rental property	448,091	424,038
Sharon's Attic	245,144	216,988
Total program expenses	1,696,813	1,648,015
Management and general	159,134	104,680
Fundraising	84,683	78,971
Total expenses	1,940,630	1,831,666
Change in net assets	832,723	805,238
Net assets, beginning of year	1,884,747	1,079,509
Net assets, end of year	\$ 2,717,470	\$ 1,884,747

The accompanying notes are an integral part of these financial statements.

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022
(with comparative totals for the year ended June 30, 2021)

	Transitional Housing	Development of Affordable Housing	Homebuyer Assistance Program	Lending Solutions	Rental Property	Sharon's Attic	Total Program Expenses	Management and General	Fundraising	Total 2022	Total 2021
Salaries	\$ 278,558	\$ 16,087	\$ 87,164	\$ 16,217	\$ 60,623	\$ 110,742	\$ 569,391	\$ 38,330	\$ 31,747	\$ 639,468	\$ 596,160
Employee related	50,554	2,402	15,615	2,325	10,999	21,027	102,922	17,599	5,575	126,096	121,586
Professional fees	13,945	3,943	12,688	6,283	1,183	2,421	40,463	3,876	2,026	46,365	36,774
Construction	24,322	6,685	6,104		7,822	1,349	46,282		154	46,436	39,455
Insurance	13,627	6,123		722	15,332	5,701	41,505	4,670		46,175	56,550
Office supplies	16,210		10,863	146	1,966	5,310	34,495	23,409	3,765	61,669	47,104
Rent						75,536	75,536	20,480		96,016	88,291
Security	1,968	229					2,197			2,197	908
Utilities	20,402	6,749			36,723	10,062	73,936			73,936	55,236
Telephone	10,040	1,534	2,157	218	1,393	1,177	16,519	2,643	205	19,367	13,494
Travel	1,239		1,750		3,516		6,505	853		7,358	1,600
Repairs and maintenance	81,984	1,680	24		48,598	3,244	135,530	769	148	136,447	141,202
Other program expenses	27,441		63,005				90,446	21		90,467	29,932
Other fundraising expenses									927	927	4,265
Licenses and permits		520		8	25		553			553	770
Advertising		154	1,541				1,695	408	15,695	17,798	11,431
Postage and delivery	635	35	284		247	68	1,269	613	12,782	14,664	13,769
Printing and reproduction	194		2,022	118		372	2,706	2,022	119	4,847	3,357
Assistance payments			92,500		500		93,000			93,000	230,376
Interest				3,000	133,917		136,917			136,917	125,236
Other	5,360	2,493	3,959	601	3,485	4,208	20,106	40,868	11,540	72,514	42,022
Total expenses before depreciation and bad debt	546,479	48,634	299,676	29,638	326,329	241,217	1,491,973	156,561	84,683	1,733,217	1,659,518
Depreciation	70,745				121,762	3,927	196,434	2,573		199,007	169,929
Bad debt	706	7,700					8,406			8,406	2,219
Total expenses	<u>\$ 617,930</u>	<u>\$ 56,334</u>	<u>\$ 299,676</u>	<u>\$ 29,638</u>	<u>\$ 448,091</u>	<u>\$ 245,144</u>	<u>\$ 1,696,813</u>	<u>\$ 159,134</u>	<u>\$ 84,683</u>	<u>\$ 1,940,630</u>	<u>\$ 1,831,666</u>

The accompanying notes are an integral part of these financial statements.

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
Year Ended June 30, 2022
(with comparative totals for the year ended June 30, 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 832,723	\$ 805,238
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	199,007	169,929
Changes in assets and liabilities:		
Grants and other receivables	(413,619)	(15,922)
Other current assets	521	5,527
Accounts payable and accrued expenses	18,181	9,882
Refundable advances	<u> </u>	<u>(76,943)</u>
Net cash provided by operating activities	636,813	897,711
Cash flows from investing activities:		
Acquisition of fixed assets	<u>(341,060)</u>	<u>(1,522,375)</u>
Net cash used by investing activities	(341,060)	(1,522,375)
Cash flows from financing activities:		
Proceeds from note payable		1,152,504
Payments on mortgages payable	<u>(149,521)</u>	<u>(122,133)</u>
Net cash (used) provided by financing activities	<u>(149,521)</u>	<u>1,030,371</u>
Net increase in cash	146,232	405,707
Cash, beginning of year	<u>921,046</u>	<u>515,339</u>
Cash, end of year	<u><u>\$ 1,067,278</u></u>	<u><u>\$ 921,046</u></u>
<u>Supplemental cash flow disclosure:</u>		
Cash paid during the year for interest	\$ 136,917	\$ 125,236
<u>Non-cash investing activity:</u>		
Fixed assets acquired with mortgages payable		\$ 339,729
Fixed assets acquired with obligations to be forgiven	\$ 4,034,945	
<u>Non-cash financing activity:</u>		
Debt incurred to purchase fixed assets	\$ 4,034,945	\$ 339,729
Refinanced note payable		\$ 1,931,767

The accompanying notes are an integral part of these financial statements.

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(with comparative totals as of and for the year ended June 30, 2021)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Housing Solutions of Northern Arizona, Inc. (the Organization) is a nonprofit organization incorporated in the State of Arizona. The Organization's vision is for all residents to have access to safe, decent, and affordable housing with an opportunity for upward mobility in Flagstaff, Arizona and the surrounding areas. The Organization's mission is to build opportunities for sustainable, affordable housing in northern Arizona through the following programs:

Transitional Housing: Provides support services and housing facilities for victims who have survived domestic violence or abuse, and their children, to transition tenants to self-sufficiency living.

Development of Affordable Housing: Purchases land and constructs homes to sell or rent to low- and moderate-income households. The Organization also purchases existing homes, rehabilitates and sells or rents them to low-income homebuyers.

Homebuyer Assistance Program (HAP): Provides education and counseling to first-time homebuyers; provides post-purchase foreclosure mitigation counseling; administers matched savings programs and down payment/closing cost assistance programs for first-time homebuyers; and sells Organization-owned homes to low- and moderate-income first-time homebuyers.

Lending Solutions: Provides affordable, reasonable financial services and lending opportunities to predominately low- and moderate-income persons and other targeted, underserved populations.

Rental Property: Provides low-income rental homes to low-income families.

Sharon's Attic: Operates a thrift store which benefits and grows awareness for the Organization's other programs.

AHC Construction, L.L.C. (AHC) is a limited liability company formed for the purpose of carrying out the mission of the Organization. As a general contractor, it holds an Arizona Class B Residential Contractor's license and an Arizona Class B Commercial Contractor's license in order to build and rehabilitate residential housing for low and moderate income families. The Organization is the sole member of AHC, which is managed by the Organization's Executive Director, President of the Board of Directors, and Chairman of the Development Committee.

Lending Solutions, L.L.C. (Lending Solutions; along with AHC, the Companies) is a limited liability company formed to provide affordable small-dollar fairly-priced loans to working individuals. The Organization is the sole member of Lending Solutions, which is managed by two of the Organization's board members and two outside managers.

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(with comparative totals as of and for the year ended June 30, 2021)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Summary of Significant Accounting Policies:

Principles of Consolidation: The consolidated financial statements include the accounts of the Organization and its wholly owned subsidiaries: the Companies. All material interentity accounts and transactions have been eliminated in consolidation.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*. The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. As of June 30, 2022 and 2021, the Organization's Board has designated net assets without donor restrictions of \$13,211 and \$15,558, respectively, for operations and \$13,840 and \$16,263, respectively, for Sharon Manor.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the restricted stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization did not have any net assets with donor restrictions at June 30, 2022 and 2021.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes: The Organization is exempt from federal and state income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Companies are considered to be disregarded entities for income tax purposes since the Organization is their sole member.

Grants and Other Receivables: Receivables consist primarily of reimbursable grant expenditures. Management believes that all grant receivables are collectible based on historical results and management's evaluation of the individual receivables outstanding. Therefore, no allowance for doubtful accounts is recognized.

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

(with comparative totals as of and for the year ended June 30, 2021)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Land, Buildings, Improvements and Equipment: The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$2,500. Land, buildings, improvements and equipment are carried at cost or, if donated, at estimated fair value at the date of donation. Depreciation is computed on the straight-line basis over the useful lives of the assets as follows:

Buildings and improvements	20 - 28 years
Equipment	5 - 10 years

State of Arizona funding sources may maintain equitable interest in the property constructed by the Organization and funded by them.

Refundable Advances: The Organization records funds received from grant awards classified as conditional contributions as refundable advances until the related funds are expended and/or the services related to the awards are performed, at which time funds are recognized as revenue. See Note 5.

Economic Dependency: The Organization receives a substantial amount of its support from government grants. A significant reduction in the level of support from these sources could have a material effect on the Organization's continuing operations.

Contributions: The Organization follows the FASB ASC subtopic of *Revenue Recognition for Not-for-Profit Entities*. Contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Contributed Services, Materials, and Facilities: Contributions of services, materials, and facilities are recognized in accordance with the provisions of FASB ASC's topic of *Not-for-Profit Entities* at their estimated fair value as of the date of the donation. The Organization recognized revenues and expenses totaling \$26,289 and \$28,983 for donated rent and silent auction items for the years ended June 30, 2022 and 2021, respectively.

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

(with comparative totals as of and for the year ended June 30, 2021)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Expense Allocations: The costs of providing the various programs and other activities are presented on a functional basis in the Consolidated Statements of Activities and Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and employee related are allocated based on time and effort. Professional fees, insurance and technology (reported in office supplies) are allocated based on salaries.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. Organization has the following financial assets that could readily be made available within one year of each fiscal year end to fund expenses without limitations:

	2022	2021
Financial assets included in current assets:		
Cash	\$ 1,067,278	\$ 921,046
Grants and other receivables	485,375	71,756
Total financial assets included in current assets	1,552,653	992,802
Less amounts unavailable for general expenditure within one year:		
Board-designated funds - operations	(13,211)	(15,558)
Board-designated funds - Sharon Manor	(13,840)	(16,263)
Cash reserved for Lending Solutions loan pool	(133,132)	(144,688)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,392,470	\$ 816,293

In addition to financial assets available to meet general expenditures over the year, the Organization operates with a balanced budget and anticipates covering its general expenditures by collecting contributions, grants, construction revenue, and other income.

NOTE 3 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following at June 30,

	2022	2021
Land	\$ 2,146,539	\$ 1,221,539
Buildings	6,228,211	5,998,903
Building improvements	427,826	359,501
Equipment	115,880	115,880
Construction in progress	3,177,672	24,300
Accumulated depreciation	(1,808,100)	(1,609,093)
Total	\$ 10,288,028	\$ 6,111,030

Depreciation expense for the years ended June 30, 2022 and 2021 was \$199,007 and \$169,929, respectively.

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(with comparative totals as of and for the year ended June 30, 2021)

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at several financial institutions located throughout northern Arizona. The balances, at times, may exceed the federally insured limits of \$250,000 at a single institution. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to these accounts.

NOTE 5 - REFUNDABLE ADVANCES/PAYCHECK PROTECTION PROGRAM

On April 17, 2020, the Organization was approved for a loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The loan was forgiven by the SBA in April 2021, and accordingly, \$76,943 was recognized as revenue in the Consolidated Statements of Activities during the year ended June 30, 2021.

NOTE 6 - SILENT SECOND MORTGAGE INCOME

The Organization holds promissory notes in the amount of the difference between the sales price and the appraised value of the homes sold to low- and moderate- income families, which are first-time homebuyers. The terms of these notes state that if the buyer sells the home, they will be responsible for paying the second mortgage. The difference between the sale price of a home and its appraised value at the time of sale by the Organization is recorded as a "silent second mortgage". The mortgage is recorded for the benefit of the Organization. If the house is sold or ceases to be the primary residence, the Organization would collect the second mortgage. At June 30, 2022 and 2021, silent second mortgages totaling \$207,607 and \$222,787, respectively, were recorded for the benefit of the Organization. Revenue from the second mortgages is deferred until the time of sale. During the years ended June 30, 2022 and 2021, revenue from silent second mortgages was \$15,180 and \$0, respectively.

NOTE 7 - DEED RESTRICTIONS

The Organization utilizes the Affordable Housing Restrictive Covenant and Agreement (the Agreement) on its property sold to first-time homebuyers, in order to assure permanent affordability. The Agreement identifies the amount of Housing Subsidy Grant being given to the homebuyer; restricts any resale to a formula for equity sharing; and identifies the maximum household income of any new buyer. The Housing Subsidy Grant is a combination of the difference in the market value, sales price, and cash provided by the Organization to the homebuyer.

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(with comparative totals as of and for the year ended June 30, 2021)

NOTE 8 - MORTGAGES PAYABLE

Mortgages payable at June 30, consists of the following:

	2022	2021
<p>On May 6, 2013, the Organization borrowed \$40,000 from the City of Flagstaff, secured by a deed of trust on the property (East Street). The note is an interest free, payment-deferred loan. The balance is payable at the earlier of 1) date the property is conveyed, sold, transferred, subjected to a mortgage or deed of trust, 2) date of default under the Subordinated Security Instrument executed in connection with the note or 3) date of default on senior liens and/or covenants, conditions and restrictions (CC&Rs) recorded on the property as part of the funding requirement through the Arizona Department of Housing.</p>	\$ 40,000	\$ 40,000
<p>On April 18, 2013, the Organization borrowed \$70,000 from Sunwest Bank, secured by a deed of trust on the property (East Street). The promissory note has a interest rate of 6.50% and a maturity date of October 18, 2033. Principal and interest payments of \$542 were due monthly. The note was repaid during the year ended June 30, 2022.</p>		54,497
<p>On July 6, 2012, the Organization borrowed \$40,000 from the City of Flagstaff, secured by a deed of trust on the property, which was subsequently purchased on July 6, 2012 (Main Street). The note is an interest free, payment-deferred loan. The balance is payable at the earlier of 1) date the property is conveyed, sold, transferred, subjected to a mortgage or deed of trust, or 2) date of default under the Subordinated Security Instrument executed in connection with the note.</p>	40,000	40,000
<p>On September 5, 2019, the Organization borrowed \$62,160 from USDA, secured by a deed of trust on the property (3265 N Clark Street). The promissory note has an interest rate of 3.625%, and a maturity date of September 5, 2049. Principal and interest payments of \$283 are due monthly.</p>	58,952	59,784
<p>On November 15, 2019, the Organization borrowed \$150,000 from another nonprofit organization to fund Lending Solutions. The promissory note has an interest rate of 2% and a maturity date of November 15, 2022. Interest payments of \$750 are due quarterly with a balloon payment of unpaid principal and interest due at maturity. This agreement is unsecured.</p>	150,000	150,000

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(with comparative totals as of and for the year ended June 30, 2021)

NOTE 8 - MORTGAGES PAYABLE (CONTINUED)

	2022	2021
On April 15, 2020, the Organization borrowed \$231,000 from USDA, secured by a deed of trust on the property (165 Pinecrest Trail). The promissory note has an interest rate of 2.375%, and a maturity date of April 15, 2050. Principal and interest payments of \$920 are due monthly.	\$ 224,439	\$ 230,076
On July 31, 2020, the Organization borrowed \$400,000 from a private lender. The promissory note has an interest rate of 3.25%, and a maturity date of July 31, 2027. Principal and interest payments of \$1,949 are due monthly. This agreement is unsecured.	380,397	391,234
On September 28, 2020, the Organization borrowed \$172,000 from a private lender secured by a deed of trust on the Main Street property. The promissory note has an interest rate of 4%, and a maturity date of October 30, 2040. Principal and interest payments of \$821 are due monthly.	166,337	169,740
On November 1, 2020, the Organization borrowed \$2,680,000 from a private lender, secured by deeds of trust on 12 properties. The promissory note has an interest rate of 3.25%, and a maturity date of November 1, 2027. Principal and interest payments of \$13,028 are due monthly.	2,572,867	2,644,320
On November 25, 2020, the Organization borrowed \$172,000 from a private lender secured by a deed of trust on the First Street property. The promissory note has an interest rate of 4%, and a maturity date of November 30, 2040. Principal and interest payments of \$821 are due monthly.	<u>167,127</u>	<u>169,989</u>
Total	3,800,119	3,949,640
Less current maturities	<u>(248,542)</u>	<u>(98,479)</u>
	<u>\$ 3,551,577</u>	<u>\$ 3,851,161</u>

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(with comparative totals as of and for the year ended June 30, 2021)

NOTE 8 - MORTGAGES PAYABLE (CONTINUED)

Interest expense on the mortgages payable for the years ended June 30, 2022 and 2021 was \$136,917 and \$125,236, respectively.

Future maturities of mortgages payable as of June 30, 2022 are as follows:

Years ending June 30:	
2023	\$ 248,542
2024	101,797
2025	105,159
2026	108,633
2027	112,221
Thereafter	<u>3,123,767</u>
Total	<u>\$ 3,800,119</u>

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(with comparative totals as of and for the year ended June 30, 2021)

NOTE 9 - OBLIGATIONS TO BE FORGIVEN

	2022	2021
<p>On May 6, 2013, the Organization entered into a borrowing agreement with the Arizona Department of Housing for the construction of permanent rental housing (East Street). The note is secured by a deed of trust on the property. The promissory note has a special interest rate of zero percent (0%) and a maturity date of December 31, 2033. The note contains restrictions that the property be used for affordable rental housing in accordance with the federal requirements of the HOME Investment Partnerships Program (HOME). The note payable will be forgiven upon maturity if the Organization complies with restrictions of the note.</p>	\$ 483,105	\$ 483,105
<p>The Organization assumed a \$400,000 note payable to the Arizona Department of Housing when it acquired a transitional housing development (Sharon Manor) in 2013. The note is secured by a deed of trust on the property. The promissory note has a special interest rate of zero percent (0%) and a maturity date of December 31, 2025. The note contains restrictions that the property be used for affordable rental housing in accordance with the federal requirements of the HOME program. The note payable will be forgiven upon maturity if the Organization complies with restrictions of the note.</p>	400,000	400,000
<p>On March 4, 2014, the Organization borrowed \$56,000 from the City of Flagstaff, secured by a deed of trust on the Center Street property. The note is an interest free, payment-deferred loan. The balance is payable at the earlier of 1) date the property is conveyed, sold, transferred, subjected to a mortgage or deed of trust, 2) date of default under the Subordinated Security Instrument executed in connection with the note or 3) date of default on senior liens and/or CC&Rs recorded on the property as part of the funding requirement through the Arizona Department of Housing. Upon expiration of the CC&Rs, the note shall be deemed satisfied and no payments on the note would be required.</p>	56,000	56,000

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(with comparative totals as of and for the year ended June 30, 2021)

NOTE 9 - OBLIGATIONS TO BE FORGIVEN (CONTINUED)

	2022	2021
<p>On March 4, 2014, the Organization borrowed \$19,000 from the City of Flagstaff, secured by a deed of trust on the Center Street property. The note is an interest free, payment-deferred loan. The balance is payable at the earlier of 1) date the property is conveyed, sold, transferred, subjected to a mortgage or deed of trust, 2) date of default under the Subordinated Security Instrument executed in connection with the note or 3) date of default on senior liens and/or CC&Rs recorded on the property as part of the funding requirement through the Arizona Department of Housing. Upon expiration of the CC&Rs, the note shall be deemed satisfied and no payments on the note would be required.</p>	\$ 19,000	\$ 19,000
<p>On October 28, 2015, the Organization borrowed \$205,000 from the City of Flagstaff, secured by a deed of trust on the 2nd Street property. The note is an interest free, payment-deferred loan. The balance is payable at the earlier of 1) date the property is conveyed, sold, transferred, subjected to a mortgage or deed of trust, 2) date of default under the Subordinated Security Instrument executed in connection with the note or 3) date of default on senior liens and/or CC&Rs recorded on the property as part of the funding requirement through the Arizona Department of Housing. Upon expiration of the CC&Rs, the note shall be deemed satisfied and no payments on the note would be required.</p>	205,000	205,000
<p>On September 13, 2021, the Organization obtained a loan of up to \$5,854,369 from federal grant proceeds under Federal Assistance Listings number 14.228, passed through Arizona Department of Housing, secured by a deed of trust on JoJo's Place property. The promissory note has a special interest rate of zero percent (0%) and a maturity date of September 13, 2028. The note contains restrictions that the property be used for affordable rental housing in accordance with the federal requirements of the CDBG program. The note payable will be forgiven upon maturity if the Organization complies with restrictions of the note.</p>	<u>4,034,945</u>	<u> </u>
Total	<u>\$ 5,198,050</u>	<u>\$ 1,163,105</u>

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(with comparative totals as of and for the year ended June 30, 2021)

NOTE 10 - PENSION PLAN

The Organization sponsors a SIMPLE IRA plan (the Plan) for the benefit of all employees who choose to participate. The Organization matches up to 3% of the employee's salary. The Organization's contributions to the Plan totaled \$11,115 and \$10,986 during the years ended June 30, 2022 and 2021, respectively.

NOTE 11 - IN-KIND DONATIONS

The Organization receives the use of donated facilities for its management and general activities. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. Fair value is estimated using the average price per square foot of rental listings in the Organization's service area. The total amount recognized for donated facilities was approximately \$20,480 for each of the years ended June 30, 2022 and 2021, respectively.

The Organization also receives donated silent auction items for fundraising activities. The items are valued based on amounts assigned by donors, or for the estimated amounts that could be received in an open market for similar items. The Organization received donated auction items totaling \$5,809 and \$8,503 during the years ended June 30, 2022 and 2021, respectively.

NOTE 12 – CONDITIONAL CONTRIBUTIONS AND GRANTS

The Organization received conditional contributions and grants during the fiscal years ending June 30, 2022 and 2021. Conditional contributions and grants are recorded when the donor-imposed conditions are substantially met.

Certain conditions are required to be met by the Organization in order to earn and receive these amounts. As of June 30, 2022 and 2021, amounts awarded but not yet received or earned totaled \$183,184 and \$440,698, respectively. While management believes that the Organization will meet these conditions, they had not been met as of the years ended June 30, 2022 and 2021. Accordingly, no amounts have been recorded for these conditional contributions and grants in these financial statements.

NOTE 13 – SUBSEQUENT EVENTS

The Organization evaluated all events or transactions that occurred after June 30, 2022, through November 17, 2022, the date the Organization issued these financial statements, and has concluded that there were no events that would have a material effect on the financial statements.

In July 2022, the Organization purchased a 32-unit motel for \$3,500,000 to be used for low-income housing by obtaining a forgivable loan for \$5,336,928 from the Arizona Department of Housing.

Supplementary Information

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
SCHEDULE OF HOMES SOLD
Year Ended June 30, 2022

	Date of Purchase	Date of Sale	Purchase Price	Project Costs	Grant Income	Sale Price	Project Gain
DEVELOPMENT OF AFFORDABLE HOUSING PROJECT							
HOMEBUYER ASSISTANCE PROGRAMS							
Net profit on projects							

There were no homes sold which were constructed by the Organization during the year ended June 30, 2022 or 2021.

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
SCHEDULE OF RENTAL PROPERTY OPERATIONS
Year Ended June 30, 2022

<u>Property</u>	<u>Rental Income</u>	<u>Rental Expenses</u>	<u>Net Rental Income</u>
Main Street	\$ 22,974	\$ (6,733)	\$ 16,241
East Street	27,241	(32,975)	(5,734)
Center Street	20,435	(8,477)	11,958
Second Street	42,673	(21,377)	21,296
First Avenue	16,913	(11,696)	5,217
1725 N. First Street	18,898	(8,326)	10,572
Fort Mohave	15,540	(13,925)	1,615
Rio Homes	45,990	(24,923)	21,067
Zuni	22,800	(15,392)	7,408
Izabel	21,250	(22,654)	(1,404)
1717 N. First Street	17,550	(20,889)	(3,339)
Rose Street	58,714	(27,419)	31,295
Clark Street	16,320	(10,276)	6,044
Pinecrest	24,000	(14,176)	9,824
1729 N. First Street	19,030	(9,838)	9,192
1724 N. Main Street	<u>15,760</u>	<u>(10,002)</u>	<u>5,758</u>
	<u>\$ 406,088</u>	<u>\$ (259,078)</u>	<u>\$ 147,010</u>

This schedule does not include all rental income and expenses.

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

<u>Federal Assistance Listing Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Cluster Title</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Housing and Urban Development:</u>					
14.169	Housing Counseling Assistance Program	N/A	N/A	\$ 37,303	\$
14.218	Community Development Block Grants/Entitlement Grants, passed through City of Flagstaff, Arizona	CDBG - Entitlement Grants Cluster	None	341,000	
14.228	COVID-19 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, passed through Arizona Department of Housing	N/A	None	4,034,945	
14.239	Home Investment Partnerships Program, passed through Arizona Department of Housing	N/A	None	<u>883,105</u>	
Total U.S. Department of Housing and Urban Development				5,296,353	
<u>U.S. Department of Justice</u>					
16.575	Crime Victim Assistance	N/A	N/A	145,677	
<u>U.S. Department of Health and Human Services</u>					
93.558	Temporary Assistance for Needy Families, passed through Arizona Department of Economic Security	N/A	ADES17-00007014	<u>90,293</u>	
Total expenditures of federal awards				<u>\$ 5,532,323</u>	<u>\$</u>

See accompanying notes to this schedule.

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Housing Solutions of Northern Arizona, Inc. and Subsidiaries (the Organization), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - FEDERAL ASSISTANCE LISTING NUMBERS

The program titles and Federal Assistance Listing numbers were obtained from federal or pass-through grantors, or the 2022 *Catalog of Federal Domestic Assistance*. When no Federal Assistance Listing numbers had been assigned to a program, the two digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the 2-digit federal agency identifier and the word "unknown" were used.

NOTE 3 - INDIRECT COST RATE

The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - SUBRECIPIENTS

The Organization did not pass any funds on to subrecipients during the year ended June 30, 2022.

NOTE 5 - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT LOANS

The Arizona Department of Housing and the City of Flagstaff, Arizona loaned funds to the Organization as a part of a U.S. Department of Housing and Urban Development (HUD) program to assist in the purchase of land and construction of transitional housing. The outstanding balances on these loans as of June 30, 2022 totaled \$883,105 (Federal Assistance Listing number 14.239), \$4,034,945 (Federal Assistance Listing number 14.228) and \$341,000 (Federal Assistance Listing number 14.218) and they are included in the Schedule of Expenditures of Federal Awards, as there are ongoing compliance requirements related to these awards.



**Independent Auditors' Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of
Housing Solutions of Northern Arizona, Inc. and Subsidiaries
Flagstaff, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Housing Solutions of Northern Arizona, Inc. (an Arizona nonprofit corporation) and its subsidiaries (AHC Construction, L.L.C. and Lending Solutions of Northern Arizona, L.L.C.) (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 17, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Fester & Chapman, PLLC

November 17, 2022



Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of
Housing Solutions of Northern Arizona, Inc. and Subsidiaries
Flagstaff, Arizona

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Housing Solutions of Northern Arizona, Inc. (an Arizona nonprofit corporation) and its subsidiaries (AHC Construction, L.L.C. and Lending Solutions of Northern Arizona, L.L.C.), (the Organization)'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Housing Solutions of Northern Arizona, Inc. and its subsidiaries and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program 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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

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

Fester & Chapman, PLLC

November 17, 2022

Housing Solutions of Northern Arizona, Inc. and Subsidiaries
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:		<u>Unmodified</u>	
Internal control over financial reporting:			
Material weakness(es) identified in internal control over financial reporting?	_____ yes	_____ <u>X</u> no	
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	_____ <u>X</u> none reported	
Noncompliance material to the financial statements noted?	_____ yes	_____ <u>X</u> no	

Federal Awards:

Internal control over major programs:			
Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	_____ <u>X</u> none reported	
Type of auditors' report on compliance for major programs:		<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	_____ <u>X</u> no	

Identification of major programs:

Federal Assistance Listing Number	Name of Federal Programs or Cluster
14.228	COVID-19 Community Development Block Grants/State's Program and Non-Entitlements Grant in Hawaii

Dollar threshold used to distinguish between type A and type B programs:		<u>\$750,000</u>	
Auditee qualified as low-risk auditee?	_____ yes	_____ <u>X</u> no	

Other Matters:

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with 2 CFR 200.511(b)?		_____ yes	_____ <u>X</u> no
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Section II - Findings - Financial Statements Audit

None

Section III - Findings and Questioned Costs - Major Federal Award Programs' Audit

None