

TMM FAMILY SERVICES, INC.

FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

and Independent Auditors' Report

TMM FAMILY SERVICES, INC.  
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and Independent Auditors' Report

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# Beasley, Mitchell & Co.

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
TMM Family Services, Inc.  
Tucson, Arizona

### **Report on the Financial Statements** **Qualified Opinion**

We have audited the accompanying financial statements of TMM Family Services, Inc. (an Arizona nonprofit corporation), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects on the June 30, 2023 financial statements of the matter described in the Basis for Qualified Opinion section of our report, the June 30, 2023 financial statements referred to above present fairly, in all material respects, the financial position of TMM Family Services, Inc. as of June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Qualified Opinion**

As more fully described in Note 2 to the financial statements, TMM Family Services, Inc. has not consolidated the activity of a limited partnership in which TMM Family Services, Inc. is the general partner in these financial statements. In our opinion, the limited partnerships should be included in these financial statements to conform with accounting principles generally accepted in the United States of America. Quantification of the effects of this departure from accounting principles generally accepted in the United States of America is not practicable.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issues by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TMM Family Services, 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 qualified audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TMM Family Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TMM Family Services, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TMM Family Services, Inc.'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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 March 7, 2024 on our consideration of TMM Family Services, Inc.'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 TMM Family Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TMM Family Services, Inc.'s internal control over financial reporting and compliance.



Beasley, Mitchell & Co., LLP  
Tucson, Arizona  
March 7, 2024

TMM FAMILY SERVICES, INC.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2023

ASSETS	
ASSETS	
Cash and cash equivalents	\$ 4,381,414
Certificate of deposit held at a bank	253,951
Contracts receivable	8,369
Other receivables	40,159
Prepaid expenses and other assets	11,290
Inventory	36,346
Investments	10,628
Property and equipment	8,140,348
Investments in affiliates	<u>80,735</u>
TOTAL ASSETS	<u>\$ 12,963,240</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 25,188
Accrued expenses	25,912
Refundable tenant deposits	44,922
Notes payable	<u>3,451,574</u>
TOTAL LIABILITIES	3,547,596
NET ASSETS	
Without donor restrictions:	
Available for operations	4,646,135
Expended for property and equipment and investment in limited partnerships	<u>4,769,509</u>
TOTAL NET ASSETS	<u>9,415,644</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,963,240</u>

See independent auditors' report and accompanying notes.

TMM FAMILY SERVICES, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2023

NET ASSETS WITHOUT DONOR RESTRICTIONS:

Support and revenue:	
Grant and contract revenue	\$ 328,471
Contributions	718,213
Rental income	444,377
Recycling center sales	266,757
Management and development fees	2,238
Investment income	67,675
Other revenue	44,199
Gain on dissolution of affiliate	<u>3,530,540</u>
Total support and revenue	5,402,470
EXPENSES AND LOSSES	
Expenses	
Program	2,013,214
General and administrative	539,631
Fundraising	<u>80,851</u>
Total expenses and losses	<u>2,633,696</u>
Change in net assets	2,768,774
Net assets, beginning of year	<u>6,646,870</u>
Net assets, end of year	<u>\$ 9,415,644</u>

See independent auditors' report and accompanying notes.

TMM FAMILY SERVICES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2023

	<u>Program</u>			<u>Supporting services</u>		
	<u>Housing Services</u>	<u>Community Closet/ReStore</u>	<u>Program Total</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 247,402	\$ 281,695	\$ 529,097	\$ 139,737	\$ 74,231	\$ 743,065
Employee benefits and payroll taxes	<u>26,214</u>	<u>28,182</u>	<u>54,396</u>	<u>46,587</u>	<u>5,501</u>	<u>106,484</u>
	273,616	309,877	583,493	186,324	79,732	849,549
Advertising and promotion	15,078	577	15,655	2,782	110	18,547
Bank charges	36,102	12,895	48,997	2,075	700	51,772
Client assistance	88,070	-	88,070	78	-	88,148
Contracted services	24,671	5,952	30,623	16,641	-	47,264
Depreciation and amortization	391,996	41,184	433,180	59,219	-	492,399
Donation expense	-	-	-	1,025	-	1,025
Dues and subscriptions	11,975	-	11,975	2,701	-	14,676
Insurance	75,467	8,396	83,863	20,966	-	104,829
Interest expense	26,789	-	26,789	-	-	26,789
Legal and accounting	89,566	1,020	90,586	50,443	309	141,338
Miscellaneous expenses	2,993	255	3,248	2,575	-	5,823
Office supplies and expense	54,434	7,066	61,500	49,025	-	110,525
Postage and printing	105	95	200	1,685	-	1,885
Program supplies	-	343	343	-	-	343
Repairs and maintenance	369,713	23,277	392,990	54,714	-	447,704
Restore expenses	-	4,005	4,005	-	-	4,005
Travel and training	1,722	196	1,918	10,215	-	12,133
Utilities	107,079	17,965	125,044	64,987	-	190,031
Vehicle expense	-	10,735	10,735	606	-	11,341
Loss on investments	-	-	-	13,570	-	13,570
	<u>\$ 1,569,376</u>	<u>\$ 443,838</u>	<u>\$ 2,013,214</u>	<u>\$ 539,631</u>	<u>\$ 80,851</u>	<u>\$ 2,633,696</u>

See independent auditors' report.

TMM FAMILY SERVICES, INC.  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 2,768,774
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	492,399
Increase in allowance for investment loss	13,570
(Gain) loss on investments in limited partnership	(3,530,540)
(Increase) decrease in operating assets:	
Contracts receivable	35,970
Other receivables	40,139
Prepaid expenses and deposits	220
Inventory	1,476
Increase (decrease) in operating liabilities:	
Accounts payable	(11,358)
Accrued wages and benefits	3,406
Tenant deposits	(18,551)
Deferred rent revenue	<u>(14,867)</u>
TOTAL ADJUSTMENTS	<u>(2,988,136)</u>
Net cash provided by operating activities	(219,362)
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of CDs held at bank	(250,000)
Sale of CDs held at bank	394,032
Proceeds from sale of investment in limited partnership	3,336,824
Purchase of property and equipment	<u>(310,897)</u>
Net cash provided by (used in) investing activities	<u>3,169,959</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on notes payable	<u>(69,403)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(69,403)</u>
Change in cash and cash equivalents	2,881,194
Cash and cash equivalents, beginning of year	<u>1,500,220</u>
Cash and cash equivalents, end of year	<u>\$ 4,381,414</u>

See independent auditors' report and accompanying notes.

TMM FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

1. ORGANIZATION

TMM Family Services, Inc. (TMM) is an Arizona nonprofit corporation whose mission is to work with various faith communities and other recognized community entities to provide housing and housing support services to vulnerable populations, including children, single mom families, seniors, mentally challenged persons and others. Additionally, TMM has a program for owner occupied home rehabilitation, a recycling center for used building and household items and a distribution center for free clothing to homeless individuals. TMM's primary sources of revenue are government contracts, community support, client fees and rent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting principles generally accepted in the United States of American require the financial statements of a limited partnership be consolidated with the general partner financial statements unless the presumption of control by the general partner is overcome. TMM's financial statements do not include Wilcox Apartments Limited Partnership. Management has elected to report the limited partnership under the equity method. The effect of excluding the financial statements of the limited partnership on the financial statements of TMM have not been determined. See Note 5.

*Financial statement presentation*

TMM reports information regarding its financial position and activities according to two classes of net assets based upon the existence or absence of donor-imposed restrictions.

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of TMM's management and governing board.

See independent auditors' report and accompanying notes.

TMM FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Financial statement presentation (Continued)*

*Net assets with donor restrictions* - Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of TMM or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Contributions with donor restrictions are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when the stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. TMM did not have any net assets with donor restrictions at June 30, 2023.

*Contributions*

Contributions received are recorded as unrestricted, or restricted support depending on the existence and nature of any donor restrictions. However, contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

*Donated non-financial assets and services*

Donated goods and facilities are recorded at their estimated fair values as in-kind contributions and expense in the period received. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and (c) would otherwise need to be purchased by TMM. TMM receives services donated by non-specialized volunteers in carrying out TMM's programs. No amounts have been reflected in the financial statements for these donated services.

*Use of estimates*

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

See independent auditors' report and accompanying notes.

TMM FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Cash and cash equivalents*

For purposes of the statement of cash flows, TMM considers all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents. TMM maintains its cash balances in two financial institutions, insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. Uninsured cash at June 30, 2023 was \$35,939

*Certificates of deposit held at a bank*

Certificates of deposit held at banks bear interest 2.7% at June 30, 2023, with original maturity term of 12 months. Any penalty for early withdrawal would not have a material effect on the financial statements.

*Investments*

In accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in investment income in the statement of activities.

*Investments in limited partnership*

TMM uses the equity method to account for its investment in a limited partnership.

*Inventory and donated items for recycling center*

Inventory at the recycling center consists of donated food, furniture, clothing and home building materials. Inventory is valued using a rolling three-month average of sales made.

The donated non-financial assets to the recycle center are monetized when they are sold to an end-user. There are no donor-imposed restrictions on these donated items. These items are not valued until they are sold to the end user. As noted above, TMM does estimate the value of the donated non-financial assets in inventory at year end.

See independent auditors' report and accompanying notes.

TMM FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Property and equipment*

Property and equipment is stated at cost or fair market value if donated. The costs of maintenance, repairs and minor renewals are charged to expense in the year incurred. TMM's policy is to capitalize expenditures for property and equipment that exceed \$2,500 and have a useful life that extends beyond one year. When items are retired or disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statement of activities. Property and equipment is reported as unrestricted support and revenue unless the granting agency or donor has restricted the asset to a specific purpose. Assets purchased with restricted funds or donated with explicit restrictions regarding their use are reported as restricted support and revenue. Depreciation is calculated using the straight-line methods over the following estimated useful lives of the assets:

Buildings	15 - 40 years
Building improvements	15 - 40 years
Furniture and fixtures	5 - 10 years
Vehicles	5 - 10 years

*Functional allocation of expenses*

TMM reports certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis. Expenses that can be identified to a specific program or support service are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated by other reasonable methods. Expenses that are allocated include liability and property insurance which are allocated based on the building square footage. Expenses such as administrative salaries and benefits are allocated on the basis of estimates of time and effort.

*Tax-exempt status*

TMM is exempt from taxation under Internal Revenue Code Section 501(c)(3). Accordingly, no provision is made in the financial statements for federal or state income taxes.

TMM's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible to probably, respectively, that a liability has been incurred for unrecognized income tax positions. As of June 30, 2023, there were no uncertain tax positions that were potentially material.

See independent auditors' report and accompanying notes.

TMM FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Recycling center*

TMM operates a recycling center where donated food, furniture, clothing and home building materials, which are not used by TMM, are sold to various organizations and individuals of financial need. All proceeds from the sale of donated items are used to benefit the TMM's service programs.

*Refundable grant advance*

Refundable grant advances result from payments received in advance on grants that are conditional in nature and for which specific requirements remain. A conditional grant is defined by both the right of return of funds and one or more measurable barriers to entitlement. Payments received in advance of satisfying the required conditions are recorded as refundable grant advance liabilities. Revenue for grants that are considered to be conditional is recognized as specific barriers are overcome. At that point, the transaction is recognized as unconditional and classified as either net assets with restriction or net assets without restrictions, based on the nature of the underlying transaction.

*Revenue, revenue recognition and revenue from contracts with customers*

Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Revenue from contracts with customers is measured based on the consideration specified in the Contract. TMM recognizes revenue when it satisfies the performance obligations as defined by the type of revenue transaction. Payments received for which there is an outstanding performance obligation are considered to be deferred revenue. Revenue from contracts with customers includes sales at the recycling center, revenue is recognized upon the completion of the sales transaction. Revenue related to management and development fees is recognized as the related services are provided.

As of June 30, 2023, there were no contract assets or contract liabilities related to revenue from contracts with customers. Also, as of June 30, 2023 there were no outstanding performance obligations related to revenue from contract with customers.

See independent auditors' report and accompanying notes.

TMM FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Advertising Costs*

The cost of advertising is expensed when incurred or when the initial advertising takes place. TMM does not participate in direct-response advertising, which requires the capitalization and amortization of related costs.

*New accounting pronouncements*

*Standards updates issued and adopted*

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among entities by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. TMM adopted this ASU during the year ended June 30, 2023 with no impact to the financial statements.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. TMM adopted this ASU during the year ended June 30, 2023, with no impact on previously reported net assets. The required disclosures related to this ASU are included in the notes to the financial statements.

3. GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable and other receivables are due within one year of the statement of financial position date and are stated at unpaid balances. TMM uses the allowance method to account for uncollectible grants and contracts receivable. Management believes that all grants and contracts receivable balances are collectible and, therefore, no allowance for doubtful accounts has been established.

See independent auditors' report and accompanying notes.

TMM FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2023

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value measurements are determined based on the assumptions — referred to as inputs — that market participants would use in pricing the asset. A fair value hierarchy distinguishes between market participant assumptions and TMM's own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources, while unobservable inputs are TMM's own assumptions about what market participants would assume based on the best information available in the circumstances.

*Level 1 inputs.* A quoted price in an active market for an identical asset or liability is considered to be the most reliable evidence of fair value. TMM does not utilize Level 1 inputs.

*Level 2 inputs.* These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1. TMM does not utilize Level 2 inputs.

*Level 3 inputs.* These inputs are unobservable and are used to measure fair value only when observable inputs are not available.

*Assets using Level 3 inputs for valuation on a recurring basis:*

Mineral rights are valued at quoted fair market price, which management believes approximates fair market value.

The pooled investment funds are valued based on information provided by the community foundation holding the funds.

*Assets using Level 3 inputs for valuation on a non-recurring basis:*

The fair value of notes receivable is estimated using future minimum payments required under the agreements.

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

See independent auditors' report and accompanying notes.

TMM FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2023

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Activity in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) was as follows for the year ended June 30, 2023:

	<u>Fair value</u>
Investment in mineral rights	\$ 12,934
Pooled investment fund	11,264
Allowance for investment losses	<u>(13,569)</u>
	<u>\$ 10,629</u>

Interest and dividend income includes interest income from all sources including investments - other and notes receivable.

During the year ended June 30, 2023, management estimated there were declines in the fair value of these investments that more likely than not were not temporary declines in fair value. Management has recorded an allowance for that estimated decline in fair value.

5. INVESTMENT IN LIMITED PARTNERSHIPS

*Wilcox Apartments Limited Partnership*

TMM is the sole member of Willcox Affordable Housing, Inc., which is the general partner of Wilcox Apartments Limited Partnership. The equity method of accounting was adopted for this investment, which was \$175,860 at June 30, 2023. Management does not believe it is practicable to estimate the fair value of this interest because it is not a publicly traded company.

*Marana Apartments Limited Partnership*

MCAH is the general partner and MAH is the limited partner of Marana Apartments Limited Partnership. The equity method of accounting was adopted for this investment, which was \$0 and \$1,527,618 as of June 30, 2022 and 2021, respectively. The apartments were sold during the year ended June 30, 2021, and the partnership was closed during the year ended June 30, 2022. Management does not believe it is practicable to estimate the fair value of this interest because it is not a publicly traded company.

See independent auditors' report and accompanying notes.

TMM FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2023

5. INVESTMENT IN LIMITED PARTNERSHIPS (CONTINUED)

*Other limited partnership*

TMM is the sole member of Thatcher Affordable Housing, Inc., which is the general partner of Gila River Apartments Limited Partnership and Gila River Apartments II Limited Partnership. The equity method of accounting was adopted for these investments, which was \$496 at June 30, 2023. Management does not believe it is practicable to estimate the fair value of this interest because it is not a publicly traded company.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2023:

	<u>2023</u>
Land	\$ 1,434,797
Buildings	10,035,181
Building improvements	2,240,640
Furniture and equipment	684,962
Vehicles	<u>189,674</u>
	14,585,254
Less accumulated depreciation	<u>(6,444,906)</u>
	<u>\$ 8,140,348</u>

Depreciation expense was \$492,399 for the year ended June 30, 2023.

See independent auditors' report and accompanying notes.

TMM FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2023

7. NOTES PAYABLE

Notes payable consisted of the following at June 30, 2023:

	<u>Interest</u> <u>rate</u>	<u>Collateral</u>	<u>Maturity</u> <u>date</u>	<u>2023</u> <u>Balance</u>
Forgivable notes payable:				
City of Tucson 4-plex	0%	Property	Apr 2029	\$ 130,252
City of Tucson 5-plex	0%	Property	Feb 2027	270,000
City of Tucson - JP Morgan Chase Loan	0%	Property	Sep 2022	34,000
Arizona Department of Housing: 405-07	0%	Property	Jun 2027	586,723
Arizona Department of Housing: 409-11	0%	Property	Apr 2031	742,218
Pima County Senior Housing Note	0%	Property	Dec 2038	708,000
Other notes payable:				
Construction Loan	4.9%	Property	Mar 2028	630,802
ReStore Loan	3.44%	Property	Apr 2026	339,254
Vehicle Loan	6.89%	Property	Oct 2025	<u>10,325</u>
			Total Notes Payable	3,451,574
			Less current portion	<u>(67,880)</u>
			Long-term portion	<u>\$ 3,383,694</u>

*Construction Loan:* Monthly payments of \$3,410, including interest at 4.93% through March 2028. The note requires TMM be in compliance with a debt service coverage ratio of not less than 1.25 and total liabilities divided by tangible net worth not greater than 2. The note is secured by a deed of trust on real property of 20 units.

*City of Tucson 4-plex:* No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that TMM complies with the terms of the agreement for affordable housing, the note is forgivable in June 2040.

*City of Tucson 5-plex:* No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that TMM complies with the terms of the agreement for affordable housing, the note is forgivable in June 2040.

See independent auditors' report and accompanying notes.

TMM FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2023

7. NOTES PAYABLE (CONTINUED)

*City of Tucson - JP Morgan Chase:* No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that TMM complies with the terms of the agreement for affordable housing, the note is forgivable in September 2040.

*Arizona Department of Housing 405-07:* No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that TMM complies with the terms of the agreement for affordable housing, the note is forgivable in June 2027.

Renovation loan monthly payments of \$2,751, including interest at 3.44% through March 2036. The note is secured by property.

*Arizona Department of Housing 409-11:* No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that TMM complies with the terms of the agreement for affordable housing, the note is forgivable in April 2031.

*Pima County Senior Housing:* No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that TMM complies with the terms of the agreement for affordable housing, the note is forgivable in December 2038.

*Note Payable on a Vehicle:* Monthly payments of \$401 including interest at 6.89% through 2028. The note is secured by a vehicle.

Future maturities of notes payable at June 30, 2023 are as follows:

	<u>Forgivable notes payable</u>	<u>Other notes payable</u>	<u>Total</u>
Year ending June 30,			
2024	-	67,880	67,880
2025	-	68,804	68,804
2026	-	69,735	69,735
2027	-	70,703	70,702
2028	-	70,989	70,989
Thereafter	<u>2,471,193</u>	<u>632,271</u>	<u>3,103,464</u>
	<u>\$ 2,471,193</u>	<u>\$ 980,382</u>	<u>\$ 3,451,574</u>

See independent auditors' report and accompanying notes.

TMM FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2023

8. CONCENTRATIONS

During the year ended June 30, 2023, TMM received approximately 61%, of its total grant and contract revenue from the City of Tucson. No other provider accounted for more than 10% of TMM's total grant and contract revenue during the year ended June 30, 2023.

9. COMMITMENTS, CONTINGENCIES AND LEASES

TMM, as lessor, has lease and program fee agreements with various tenants of ninety apartment units. All units are rented on a month-to-month basis with the exception of twenty-three units reserved for the Family Journey program for single mothers. A three-month lease agreement is required upon entry of the program. Monthly rent and lease terms vary. Total rental income under these leases for the years ended June 30, 2023 was \$444,377.

*General partnership liabilities*

WAH, TAH, MCAH are general partners in four limited partnerships that have built, own and operate low-income apartment buildings that will generate low-income housing tax credits for the limited partners. As the general partner, WAH, TAH and MCAH may be liable for: partnership debts in excess of partnership capital; asset impairment losses; losses the limited partners incur due to any breach in certain representations and warranties in the partnership agreements; and other partnership debts as specified in the partnership agreements. Any such liabilities were unable to be determined as of June 30, 2022.

10. LIQUIDITY AND AVAILABILITY

Financial assets:	
Cash and cash equivalents	\$ 4,381,414
Grants and contractor revenues receivable	8,369
Other receivables	<u>40,159</u>
	4,429,942
Less contractual or donor-imposed restrictions making assets unavailable within one year of the statement of financial position date:	
Refundable tenant deposits	<u>(44,922)</u>
Financial assets available within one year for general expenditures	<u>\$ 4,385,020</u>

See independent auditors' report and accompanying notes.

TMM FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2023

11. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information -

Cash paid during the year for interest	\$ <u>78,995</u>
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There was no cash paid for income taxes during the year ended June 30, 2023.

12. RETIREMENT PLAN

TMM has a 401(k) employee benefit plan (Plan) that allows eligible employees to defer pretax annual compensation up to certain limitations imposed by the IRS. TMM may also make discretionary contributions to the Plan. TMM's discretionary contribution for the year ended June 30, 2023 was \$10,426.

13. SUBSEQUENT EVENTS

TMM has evaluated its financial statements as of and for the year ended June 30, 2023 through the date the financial statements were available to be issued. Subsequent events have been evaluated through March 7, 2024, the date the financial statements were available to be issued.

See independent auditors' report and accompanying notes.

SINGLE AUDIT REPORTS AND SCHEDULES

TMM FAMILY SERVICES, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER GOVERNMENTAL AWARDS  
For Year Ending June 30, 2023

Federal Grantor/Pass-Through Grantor Program Number	Assistance Listing Number	Grantor's Identifying Number	Passed Through	Federal Expenditures	Other Expenditures
<b><u>Department of Housing and Urban Development</u></b>					
<i>Passed through City of Tucson:</i>					
<i>CDBG - Entitlement Grants Cluster</i>					
Community Development Block Grants/Entitlement Grants	14.218	18702	-	\$ 35,718	\$ -
<i>Total CDBG - Entitlement Grants Cluster, Total CFDA 14.218</i>			-	35,718	-
<i>Passed through the City of Tucson:</i>					
Continuum of Care Program	14.267	192380	-	164,214	-
<i>Passed through Pima County:</i>					
Home Investment Partnerships Program	14.239	CT-CD-6-430	-	708,000	-
<i>Passed through City of Tucson:</i>					
Home Investment Partnerships Program	14.239	N/A	-	34,000	-
Home Investment Partnerships Program	14.239	0054-08	-	130,252	-
Home Investment Partnerships Program	14.239	0337-06	-	270,000	-
<i>Passed through Arizona Department of Housing:</i>					
Home Investment Partnerships Program	14.239	403-05	-	336,877	-
Home Investment Partnerships Program	14.239	405-07	-	586,723	-
Home Investment Partnerships Program	14.239	407-07	-	328,339	-
Home Investment Partnerships Program	14.239	409-11	-	742,218	-
<i>Total CFDA 14.239</i>			-	3,136,409	-
<b>Total Department of Housing and Urban Development</b>			-	3,336,341	-
<b><u>Other governmental awards:</u></b>					
<i>Passed through Pima County:</i>					
Emergency Shelter Grant	N/A	CT-CR-23-269 A1	-	-	21,093
Community Closet Grant	N/A	CT-CR-23-269 A2	-	-	19,061
<i>City of Tucson:</i>					
Family Journey	N/A	19228	-	-	59,680
<b>Total Other governmental awards</b>			-	-	99,834
<b>TOTAL FEDERAL AND OTHER GOVERNMENTAL AWARDS</b>			\$ -	\$ 3,336,341	\$ 99,834

See independent auditors' report and accompanying notes.

TMM FAMILY SERVICES, INC.  
NOTES TO EXPENDITURES OF FEDERAL AND OTHER GOVERNMENTAL AWARDS  
For the Year Ended June 30, 2023

Note 1 - Basis of Presentation and Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal and other governmental awards (the "Schedule") includes the federal award activity of TMM Family Services, Inc. under programs of the federal government for the year ended June 30, 2023. 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). Because the Schedule presents only a selected portion of the operations of TMM Family Services, Inc. and Affiliates, it is not intended to and does not present the financial position, changes in operations or cash flows of TMM Family Services, Inc. and Affiliates.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2 - Indirect Cost Rate

TMM Family Services, Inc. has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Federal Home Investment Partnerships Program

The federal Home Investment Partnership Program loans listed subsequently are administered directly by TMM Family Services, Inc., and balances and transactions relating to these programs are included in TMM Family Services, Inc. basic financial statements.

TMM FAMILY SERVICES, INC.  
NOTES TO EXPENDITURES OF FEDERAL AND OTHER GOVERNMENTAL AWARDS  
(CONTINUED)  
For the Year Ended June 30, 2023

Balances of loans outstanding at the beginning of the year and new loans made during the year are included in the federal expenditures presented in the Schedule.

The balance of loans outstanding at the end of the year are listed below.

<b>Program Title</b>	<b>Assistance Listing number</b>	<b>Grantor's identifying number</b>	<b>Balance June 30, 2023</b>
Home Investment Partnerships Program	14.239	CT-CD-6430	\$ 708,000
Home Investment Partnerships Program	14.239	N/A	34,000
Home Investment Partnerships Program	14.239	0054-08	130,252
Home Investment Partnerships Program	14.239	0337-06	270,000
Home Investment Partnerships Program	14.239	405-07	586,723
Home Investment Partnerships Program	14.239	409-11	<u>742,218</u>
			<u>\$ 2,471,193</u>

Note 4 - Reconciliation of the Schedule to the consolidated statement of activities

Expenditures of federal awards per the Schedule	\$ 3,336,341
Expenditures of other governmental awards per the Schedule	99,834
Less: Home Investment Partnerships Program loans (Assistance Listing 14.239)	<u>(3,136,409)</u>
Add: Other governmental (nonfederal) vendor service contract revenue	<u>28,705</u>
Total grant and contract revenue per consolidated statement of activities	<u>\$ 328,471</u>

See independent auditors' report and accompanying notes.



# Beasley, Mitchell & Co.

Certified Public Accountants

## 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

Board of Directors  
TMM Family Services, Inc.  
Tucson, AZ

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 financial statements of TMM Family Services, Inc. (an Arizona nonprofit corporation), which comprise the statement of financial position as of June 30, 2023 and related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 7, 2024.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered TMM Family Services, Inc.'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of TMM Family Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of TMM Family Services, Inc.'s internal control.

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

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether TMM Family Services, Inc.'s 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.



Beasley, Mitchell & Co., LLP

Tucson, Arizona

March 7, 2024



# Beasley, Mitchell & Co.

Certified Public Accountants

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

Board of Directors  
TMM Family Services, Inc.  
Tucson, Arizona

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited TMM Family Services, Inc.'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 TMM Family Services, Inc.'s major federal programs for the year ended June 30, 2023. TMM Family Services, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, TMM Family Services, Inc. complied, in all material respects, with the 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, 2023.

#### **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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of TMM Family Services, Inc. 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 TMM Family Services, Inc.'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 TMM Family Services, Inc.'s federal programs.

## **Auditors' 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 TMM Family Services, Inc.'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 TMM Family Services, Inc.'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 access 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 TMM Family Services, Inc.'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 TMM Family Services, Inc.'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 TMM Family Services, Inc.'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**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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.

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 is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

*Beasley, Mitchell & Co. LLP*

Beasley, Mitchell & Co., LLP  
Tucson, Arizona  
March 7, 2024

TMM FAMILY SERVICES, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ending June 30, 2023

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditors' report issued: Qualified

Internal control over financial reporting:

- Material weakness (es) identified? None
- Significant deficiencies identified that are not considered to be material weaknesses? None

Noncompliance material to financial statements notes? None

**Federal Awards**

Type of auditors' report issued: Unmodified

Internal control over major programs

- Material weakness (es) identified? None
- Significant deficiencies identified that are not considered to be material weaknesses? None

Type of auditors' report issued on compliance with major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with the Uniform Grant Guidance? None

Identification of Major Programs:

14.239 Home Investment Partnerships Program

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee None

**Section II - Financial Statement Findings and Questioned Costs:** None

**Section III - Federal Awards Findings and Questioned Costs:** None

See independent auditors' report and accompanying notes.