



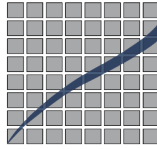
HOMeward
PIKES PEAK

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Homeward Pikes Peak
Colorado Springs, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Homeward Pikes Peak ("Organization"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Homeward Pikes Peak as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("US GAAS") and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS 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 US GAAS 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 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 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.

Supplementary Information

Our audits were 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 US GAAS. 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 July 6, 2023, 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 on 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.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 6, 2023

HOMEWARD PIKES PEAK
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and equivalents	\$ 1,198,405	\$ 239,472
Grants and contributions receivable	484,885	744,108
Prepaid expenses and other current assets	97,512	40,768
Total current assets	1,780,802	1,024,348
Developer fee receivable from collaborative entity	627,268	292,600
Notes receivable	2,828,643	922,522
Other assets	71,386	4,791
Property and equipment, net	2,970,725	1,557,443
Operating lease right-of-use asset	292,731	-
Total assets	<u>\$ 8,571,555</u>	<u>\$ 3,801,704</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 229,999	\$ 115,781
Construction payable	185,363	-
Unearned grant revenue	408,801	408,801
Current portion of notes payable - serviceable	30,200	29,751
Current portion of operating lease liability	46,130	-
Total current liabilities	900,493	554,333
Notes payable, net of current portion - serviceable	136,652	166,855
Notes payable - non-serviceable	350,000	350,000
Operating lease liability, net of current portion	250,998	-
Unearned grant revenue	2,943,286	625,772
Total liabilities	4,581,429	1,696,960
Net assets:		
Without donor restrictions	965,171	48,240
Net equity in property and equipment	2,803,873	1,360,837
Total net assets without donor restrictions	3,769,044	1,409,077
With donor restrictions	221,082	695,667
Total net assets	3,990,126	2,104,744
Total liabilities and net assets	<u>\$ 8,571,555</u>	<u>\$ 3,801,704</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

HOMeward PIKES PEAK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

<u>SUPPORT AND REVENUE</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Grants and contributions	\$ 4,047,124	\$ 497,962	\$ 4,545,086
Contributed nonfinancial assets	289,443	-	289,443
Developer fees	334,668	-	334,668
Program service fees	194,061	-	194,061
Other income	54,534	-	54,534
Total support and revenue	4,919,830	497,962	5,417,792
 <u>RECLASSIFICATIONS</u>			
Release from restrictions	972,547	(972,547)	-
 <u>EXPENSES</u>			
Program services	2,837,374	-	2,837,374
Supporting activities:			
General and administrative	581,123	-	581,123
Fundraising	113,913	-	113,913
Total supporting activities	695,036	-	695,036
Total expenses	3,532,410	-	3,532,410
Change in net assets	2,359,967	(474,585)	1,885,382
Net assets, beginning of year	1,409,077	695,667	2,104,744
Net assets, end of year	<u>\$ 3,769,044</u>	<u>\$ 221,082</u>	<u>\$ 3,990,126</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

HOMeward PIKES PEAK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

<u>SUPPORT AND REVENUE</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Grants and contributions	\$ 1,476,272	\$ 753,167	\$ 2,229,439
Contributed nonfinancial assets	318,769	-	318,769
Developer fees	444,130	-	444,130
Program service fees	186,444	-	186,444
Other income	33,261	-	33,261
Gain on sale of property	103,858	-	103,858
Total support and revenues	2,562,734	753,167	3,315,901
<u>RECLASSIFICATIONS</u>			
Release from restrictions	602,500	(602,500)	-
<u>EXPENSES</u>			
Program services	2,147,984	-	2,147,984
Supporting activities:			
General and administrative	410,540	-	410,540
Fundraising	65,097	-	65,097
Total supporting activities	475,637	-	475,637
Total expenses	2,623,621	-	2,623,621
Change in net assets	541,613	150,667	692,280
Net assets, beginning of year	867,464	545,000	1,412,464
Net assets, end of year	\$ 1,409,077	\$ 695,667	\$ 2,104,744

The accompanying notes and independent auditor's report
should be read with these financial statements.

HOMeward PIKES PEAK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Housing First	HPP Clinic Services	Project Detour	Harbor House Recovery	Homeless Outreach	The Commons	Residential Treatment Center	Total Program Services	General and Administrative	Fundraising	Total
Client support and assistance	\$ 809,275	\$ 2,160	\$ 3,596	\$ 10,782	\$ 172,125	\$ -	\$ 36	\$ 997,974	\$ -	\$ -	\$ 997,974
Depreciation	6,775	-	1,775	14,394	-	-	-	22,944	24,250	-	47,194
Food	11,070	1,380	1,544	2,398	1,013	-	-	17,405	1,114	-	18,519
Grant administration fees	7,576	-	-	-	-	-	-	7,576	-	-	7,576
Insurance	22,539	11,270	5,635	5,635	5,635	-	-	50,714	5,468	-	56,182
Interest	360	-	-	-	30	120	2,800	3,310	2,121	-	5,431
Marketing and community education	-	-	-	-	-	-	1,190	1,190	1,863	21,068	24,121
Miscellaneous	145	-	-	-	-	-	1,194	1,339	3,894	623	5,856
Occupancy	48,457	31,521	33,849	23,546	3,175	-	6,844	147,392	270	-	147,662
Office	36,070	39,195	2,813	2,936	2,891	2,319	8,871	95,095	20,541	915	116,551
Professional fees and consultants	44,620	156,890	829	-	-	225,000	61,845	489,184	68,135	25,381	582,700
Repairs and maintenance	2,194	1,471	2,362	5,350	-	-	1,416	12,793	4,597	-	17,390
Salaries, payroll taxes and benefits	388,005	265,023	62,388	75,195	144,504	9,306	14,214	958,635	437,017	65,824	1,461,476
Supplies	-	135	4,341	199	-	-	1,029	5,704	50	-	5,754
Training and staff development	25	2,581	-	-	3,650	-	-	6,256	8,583	-	14,839
Travel and mileage	13,208	1,138	1,677	-	3,603	62	175	19,863	3,220	102	23,185
Total expenses	\$ 1,390,319	\$ 512,764	\$ 120,809	\$ 140,435	\$ 336,626	\$ 236,807	\$ 99,614	\$ 2,837,374	\$ 581,123	\$ 113,913	\$ 3,532,410
Percentage of total expenses	39%	15%	3%	4%	10%	7%	3%	81%	16%	3%	100%

The accompanying notes and independent auditor's report
should be read with these financial statements.

HOMeward PIKES PEAK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Housing First	HPP Clinic Services	Project Detour	Harbor House Recovery	Homeless Outreach	The Commons	Residential Treatment Center	Total Program Services	General and Administrative	Fundraising	Total
Client support and assistance	\$ 447,842	\$ 2,537	\$ 1,560	\$ 3,239	\$ 102,912	\$ -	\$ -	\$ 558,090	\$ -	\$ -	\$ 558,090
Depreciation	6,595	-	-	14,394	-	-	-	20,989	21,001	-	41,990
Food	35,001	1,236	2,789	1,403	48	875	-	41,352	-	-	41,352
Grant administration fees	14,421	-	-	-	-	-	-	14,421	-	-	14,421
Insurance	17,561	8,780	4,390	4,390	4,390	-	-	39,511	4,390	-	43,901
Interest	-	-	-	-	-	3,820	1,875	5,695	3,060	-	8,755
Marketing and community education	-	3,700	-	-	-	-	106	3,806	898	16,821	21,525
Miscellaneous	362	-	-	-	615	75	-	1,052	2,652	535	4,239
Occupancy	39,085	20,732	46,828	25,306	1,787	81	608	134,427	1,988	-	136,415
Office	25,187	26,437	3,741	4,610	4,656	-	-	64,631	20,091	941	85,663
Professional fees and consultants	-	49,795	-	-	-	345,889	24,005	419,689	40,630	19,207	479,526
Repairs and maintenance	1,813	797	2,174	714	109	778	920	7,305	4,582	-	11,887
Salaries, payroll taxes and benefits	377,412	180,469	56,648	72,499	116,773	-	-	803,801	297,442	27,593	1,128,836
Supplies	-	688	6,232	2,154	-	-	-	9,074	-	-	9,074
Training and staff development	250	708	43	85	-	-	-	1,086	12,006	-	13,092
Travel and mileage	14,023	203	1,376	1,731	5,722	-	-	23,055	1,800	-	24,855
Total expenses	\$ 979,552	\$ 296,082	\$ 125,781	\$ 130,525	\$ 237,012	\$ 351,518	\$ 27,514	\$ 2,147,984	\$ 410,540	\$ 65,097	\$ 2,623,621
Percentage of total expenses	38%	11%	5%	5%	9%	13%	1%	82%	16%	2%	100%

The accompanying notes and independent auditor's report
should be read with these financial statements.

HOMeward PIKES PEAK
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,885,382	\$ 692,280
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	47,194	41,990
Gain on sale of property	-	(103,858)
Operating lease expense	48,363	-
(Increase) decrease in operating assets:		
Grants and contributions receivable	259,223	(269,002)
Developer fee receivable	(334,668)	(292,600)
Prepaid expenses and other current assets	(123,339)	55,604
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	114,218	(27,048)
Deferred revenue	-	(8,236)
Unearned grant revenue	(23,800)	(23,800)
Construction payable	185,363	-
Operating lease liability	(43,966)	-
Net cash flows from operating activities	<u>2,013,970</u>	<u>65,330</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(1,460,476)	(839,617)
Issuance of notes receivable	(1,906,121)	(572,522)
Net cash flows from investing activities	<u>(3,366,597)</u>	<u>(1,412,139)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal payments on notes payable	(29,754)	(3,769)
Proceeds received from issuance of notes payable	-	475,000
Grants received for long-term purposes	2,341,314	864,446
Net cash flows from financing activities	<u>2,311,560</u>	<u>1,335,677</u>
Net change in cash and equivalents	958,933	(11,132)
Cash and equivalents, beginning of year	239,472	250,604
Cash and equivalents, end of year	<u>\$ 1,198,405</u>	<u>\$ 239,472</u>

The accompanying notes and independent auditor's report should be read with these financial statements.

HOMeward PIKES PEAK
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

<u>SUPPLEMENTAL DISCLOSURES</u>	<u>2022</u>	<u>2021</u>
Cash paid for interest expense	\$ 5,431	\$ 8,755
Land transferred to collaborative entity for development in exchange for note receivable	\$ -	\$ 350,000

The accompanying notes and independent auditor's report
should be read with these financial statements.

HOMeward PIKES PEAK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Homeward Pikes Peak ("HPP") believes people can recover. Because of this, they house and counsel people in Colorado Springs who are struggling with homelessness and addiction, and have no other housing options. . They have a variety of housing programs for permanent supportive housing and sober living. They also operate an outpatient substance abuse clinic specializing in women's services, which includes pregnant women, and they operate a homeless outreach team that works with clients to help address challenges and move toward recovery and housing. They opened and began serving clients at two new programs in 2023, a recovery treatment center for pregnant and parenting women recovering from addiction issues and a 50-unit permanent supportive housing facility. Through all of these programs the organization served over 800 individuals, families and veterans in 2022. HPP believes in helping people regardless of their ability to pay for these services.

HPP's programs include the following:

Housing First - Housing First is a housing and case management program for disabled adults who have substance abuse and chronic homelessness issues. Housing stability is the outcome, and flexible case management is the means to that end. The program finds housing for clients and helps them get food. Once these needs are met, clients are aided to obtain psychiatric medications, substance abuse treatment, and medical care. When some level of stability is reached, volunteering and reconnecting with family is encouraged. Eventually, clients no longer need home visits and graduate to fewer intensive programs, or completely independent living.

HPP's Housing First program consists of a Dual Diagnosis Program, Veteran Specific Housing and CO Division of Housing case management services. In operation since 2007, the Dual Diagnosis program specializes in assisting the chronically homeless and seriously mentally ill adults with substance abuse issues. The Veteran Specific Housing Program began in 2015 when Rocky Mountain Human Services transferred the grant to HPP. In 2018, HPP began to provide case management for an additional group of individuals receiving rental assistance vouchers. This last program was previously administered by the Colorado Division of Housing and The Independence Center, but was transferred officially to HPP in mid-2022.

See independent auditor's report.

HOMeward PIKES PEAK NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

HPP Clinic Services - Homeward Pikes Peak Clinic Services is a Colorado State Office of Behavioral Health and is a licensed substance-use-disorder treatment provider. It provides substance-use-disorder counseling services to those with the means to pay for treatment. The majority of the clients are women, as its funding stresses that population. Its funding also provides incentives to engage in treatment and funding to reduce barriers for attending treatment. Individual therapy and group therapy are provided. Services are geared to gender specific treatment and to those coming to treatment as a requirement of another agency. Evidenced based therapies such as cognitive behavioral therapy and motivational interviewing are used.

Homeless Outreach - HPP's Street Outreach team creates relationships and meets individuals living in emergency shelter or surviving outside in their own environment. We collaborate with the Colorado Springs Police Department Homeless Outreach Team to build trust and educate individuals on the opportunity to enter shelter programs, housing, and healthcare services.

The Commons - Opened in April 2023, this affordable housing community has 50 units of permanent supportive housing for families and individuals experiencing chronic homelessness. The facility provides on-site case management services to support client needs.

Harbor House Recovery Home - Harbor House Recovery Home is a transitional sober-living housing program that started in 2003. The objective is to take in homeless individuals struggling with substance abuse issues and return sober, self-sufficient taxpayers to the community. Clients first focus on their sobriety and then focus on their employment.

Clients receive intensive case management and are required to attend outpatient treatment within the first 90 days of entering the program. During the one-year transitional housing program, HPP anticipates that clients gain employment, reduce debt, resolve court issues, and save money.

Project Detour - Project Detour is a transitional housing program for women who have a history of substance abuse (primarily opiates and alcohol), have been in jail, and are at risk of becoming homeless. The objective of the program is to provide safe and stable sober living environments, with access to services that support recovery, regaining parental rights if possible, gaining employment, and moving to independent housing. Clients receive intensive case management and are required to attend outpatient treatment within the first 90 days of entering the program. In mid-2021, HPP merged Project Detour with the Bloom Recovery Home transitional housing program to include pregnant or postpartum women who have a substance abuse history and are at risk of being homeless.

See independent auditor's report.

HOMeward PIKES PEAK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Bloom Residential Treatment Center – Opened in April 2023, the program for pregnant or postpartum women who have a substance abuse history provides a safe and stable sober living environment that keeps pregnant and mothers of toddlers together so that treatment and recovery can occur as a family. The program will provide on-site counseling and treatment, as well as access to services that support recovery, a focus on the health of the infant, gaining employment, and moving to independent housing.

Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Basis of presentation

The financial statements present information regarding the financial position and activities according to two classes of net assets: net assets without donor restrictions, which represent the expendable resources that are available for operations at management's discretion and the net investment in property and equipment; and net assets with donor restrictions, which represent resources restricted by donors as to purpose or by the passage of time.

Use of estimates

The preparation of financial statements in conformity with US GAAP 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, expenses, gains, losses and other changes in net assets during the reporting periods. Actual results could differ from those estimates.

Accounting pronouncements adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASC Topic 842"), which replaces numerous requirements in US GAAP and requires organizations to recognize lease assets and lease liabilities on the statement of financial position. On January 1, 2022, HPP adopted the requirements of ASC Topic 842 and the amendments related thereto, and applied the new requirements to all contracts using the modified retrospective method. Upon adoption of ASC Topic 842, management determined no material adjustment to net assets was required. Additional disclosures required by ASC Topic 842 are presented within the notes to the financial statements.

See independent auditor's report.

HOMeward PIKES PEAK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

On January 1, 2022, the HPP adopted ASU No. 2020-07, *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASC Topic 958") on a retrospective basis. These amendments increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this update also require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statements of activities.

Cash and equivalents

For purposes of the statement of cash flows, HPP considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

HPP maintains its cash and equivalents in bank deposit accounts in which the deposits are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At certain times during the year, HPP had deposits in excess of FDIC limits. This risk is managed by maintaining deposits with high-quality financial institutions.

Grants receivable

Grants receivable consist of reimbursements due from grant agreements. Grants receivable are stated at the amount HPP expects to collect. As of December 31, 2022 and 2021, management considers all grants receivable to be fully collectable and, accordingly, no allowance has been recorded.

Developer fee receivable from collaborative entity

Developer fee receivable from a collaborative entity consist of developer fees related to the construction of the Commons which are due to HPP and will be paid over an extended period of time based on the closing of The Commons. The developer fee was discounted using a risk free rate of 4% per annum as of December 31, 2022, which approximates the U.S. Treasury rate for the same period over which the developer fee is expected to be collected. As of December 31, 2022, the discount on the developer fee totaled \$266,036.

Property and equipment

HPP's policy is to capitalize acquisitions of property and equipment costing or having a fair value at receipt of at least \$5,000 and having a useful life exceeding one year. Property and equipment are recorded at cost or, if donated, at the estimated fair value at the date of receipt. Depreciation expense is provided on a straight-line basis over the assets' estimated useful lives ranging from three to 39 years.

See independent auditor's report.

HOMeward PIKES PEAK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Depreciation expense for the years ended December 31, 2022 and 2021, totaled \$47,194 and \$41,990, respectively.

Unearned grant revenue

HPP receives government grants for the development of affordable housing properties. These grants contain conditions requiring the property be used for a specified period of time for affordable housing. If the affordability period is not met, the grant conditions require the funds to be returned or transferred to another project or organization at the government agency's option. Conditional grants are recorded as unearned grant revenue until the conditions are substantially met, at which point they are recognized as grant revenue. Historically, HPP has met the affordability conditions.

Leases

Management determines if an arrangement is a lease at inception of the arrangement. Operating leases are included in operating lease right-of-use assets and lease liabilities in the accompanying balance sheets.

Right-of-use assets represent HPP's right to use an underlying asset for the lease term, and lease liabilities represent HPP's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The right-of-use assets also include any lease payments made and exclude lease incentives. HPP's lease terms may include options to extend or terminate the lease at management's discretion. Such options are included in the calculation of the right-of-use asset and lease liability, and are included in the future maturities of lease liabilities in Note 6, if management determines they are reasonably certain to exercise the options. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

HPP elected certain practical expedients permitted under the transition guidance that allowed HPP not to reassess: (1) whether expired or previously existing contracts are or contain leases, (2) lease classification for expired or previously existing leases, and (3) initial direct costs for expired or previously existing leases.

For leases that do not state or imply an interest rate, HPP elected a practical expedient to use a risk-free rate based on asset composition.

HPP elected to account for all leases with original terms of 12 months or less as short-term leases, which are expensed over the term of the lease and do not require recognition of right-of-use assets or lease liabilities.

See independent auditor's report.

HOMeward PIKES PEAK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Revenue recognition

Revenue is recognized when earned, which is considered the point in time at which the service is rendered to the customer. HPP recognizes program service fee revenue during the year in which the related services are provided to residents. The performance obligation of providing access to housing is recognized over the year in which the services are provided. Amounts received for subsequent periods are deferred and recognized over as revenue in the applicable period. The performance obligation of providing clinic services is recognized at the point in time the services are performed.

Contribution revenue

Contributions received are recorded as support without donor restrictions or with donor restrictions depending on the existence and/or nature of donor restrictions, if applicable. Contribution income is recognized when cash is received, when unconditional promises are made, or when ownership of contributed assets is transferred to HPP. A portion of HPP's grant revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when HPP incurs expenditures in compliance with specific contract or grant provisions. Amounts received prior to meeting the applicable conditions or incurring qualifying expenditures are reported as unearned grant revenue in the statements of financial position.

Contributed nonfinancial assets

Contributed services are recorded as both a revenue and an expenditure in the accompanying financial statements at their estimated fair values. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations. HPP regularly receives donated professional services, which are recorded at their estimated fair values, determined on the date of the contribution. Additionally, many individuals volunteer their time and perform a variety of tasks that assist HPP, but these services do not meet the criteria for recognition as contributed services.

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are recorded when costs are incurred.

See independent auditor's report.

HOMeward PIKES PEAK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The financial statements report certain categories of expenses that are attributable to one or more program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income taxes

HPP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code ("Code"). In addition, HPP qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Code.

HPP evaluates the effect of uncertain income tax positions, if any, and provides for those positions in accordance with the provisions of FASB ASC Topic 450, *Contingencies*. HPP is required to disclose any material adjustments as a result of income tax examinations. HPP reports interest and penalties resulting from these adjustments as interest expense and other expenses, as applicable. There were no income tax examinations, adjustments, interest or penalties during the years ended December 31, 2022 and 2021.

Subsequent events

Management has evaluated subsequent events through the date of the attached independent auditor's report, the date on which the financial statements were available to be issued.

See independent auditor's report.

HOMeward PIKES PEAK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following on December 31,:

	2022	2021
Cash and equivalents	\$ 1,198,405	\$ 239,472
Grants and contributions receivable	484,885	744,108
Total financial assets	1,683,290	983,580
Less amounts unavailable for general expenditures within one year due to:		
Donor restrictions	(221,082)	(695,667)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,462,208	\$ 287,913

As part of HPP's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31,:

	2022	2021
Land	\$ 265,000	\$ 213,700
Buildings and improvements	927,041	503,794
Leasehold improvements	271,964	168,009
Vehicles	38,421	32,974
Furniture and equipment	2,995	2,995
	1,505,421	921,472
Accumulated depreciation	(250,842)	(203,646)
	1,254,579	717,826
Construction in progress	1,716,146	839,617
Net property and equipment	\$ 2,970,725	\$ 1,557,443

See independent auditor's report.

HOMeward PIKES PEAK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

4. NOTES RECEIVABLE

Notes receivable as of December 31, 2022 and 2021 consist of long-term, nonrecourse promissory notes receivable related to affordable housing projects with collaborative entities. The notes receivable have amounts ranging from \$93,075 to \$1,635,568 with no formal repayment schedule; bear interest at 2.50% per annum; mature on August 1, 2063; and are secured by real property.

5. NOTES PAYABLE

Notes payable consist of the following as of December 31,:

	2022	2021
<i>Serviceable:</i>		
Unsecured note payable to a foundation in the amount of \$100,000; payable in quarterly installments of \$4,364 beginning in March 2022; bearing interest at 1.50% per annum; maturing in December 2027.	\$ 83,950	\$ 100,000
Unsecured note payable to a foundation in the amount of \$100,000; payable in quarterly installments of \$3,769 beginning in December 2021; bearing interest at 1.50% per annum; maturing in April 2028.	82,902	96,606
Total	166,852	196,606
Less current maturities	(30,200)	(29,751)
Notes payable, net of current portion - serviceable	\$ 136,652	\$ 166,855
<i>Forgivable and non-serviceable:</i>		
Promissory note payable with the City of Colorado Springs in the amount of \$350,000 at zero percent interest, with no principal payment due unless sale or other transfer of property, and secured by its real property.	\$ 350,000	\$ 350,000

See independent auditor's report.

HOMeward PIKES PEAK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Required annual minimum principal payments are as follows for the years ending December 31, 2022:

2023	\$	30,200
2024		30,655
2025		31,118
2026		31,587
2027		32,064
Thereafter		<u>11,228</u>
Notes payable - serviceable		166,852
Notes payable - forgivable and non-serviceable		<u>350,000</u>
Total	\$	<u><u>516,852</u></u>

Management has determined that imputed interest on the forgivable and non-serviceable zero percent interest note is not material to the financial statements.

6. LEASE

Operating lease

HPP leases office space under a noncancelable operating lease, expiring in September 2023. The terms of the lease allow a five-year renewal at the option of HPP. Management has determined that they are reasonably certain to exercise the option and, accordingly, the option has been included in the calculation of the right-of-use asset and lease liability as of December 31, 2022. The lease agreement requires monthly payments ranging from \$4,164 to \$4,827. Lease expense is included in operating expenses in the accompanying statements of activities and functional expenses, and totaled \$53,277 for the year ended December 31, 2022.

Other information with respect to leases is as follows as of and for the year ended December 31, 2022:

Right-of-use assets obtained in exchange for new lease liabilities	\$	341,094
Weighted average remaining lease term in years		6.75
Weighted average discount rate		1.55%

See independent auditor's report.

HOMeward PIKES PEAK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

As of December 31, 2022, future maturities of operating lease liabilities are as follows:

<u>Years Ending</u> <u>December 31,</u>		
2023	\$	50,346
2024		51,857
2025		53,412
2026		55,015
2027		56,665
Thereafter		<u>43,447</u>
Total minimum lease payments		310,742
Less amount representing interest		<u>(13,614)</u>
Present value of operating lease liabilities	\$	<u><u>297,128</u></u>

Lease expense under noncancelable operating leases totaled \$82,138 for the year ended December 31, 2021.

7. UNEARNED GRANT REVENUE

Unearned grant revenue consists of the following as of December 31,:

	<u>2022</u>	<u>2021</u>
Conditional grant for \$385,000 requiring HPP to provide support, mental health and substance abuse services to specific clients and achieve certain outputs beginning in 2023, otherwise the funds must be returned to the grantor.	\$ 385,000	\$ 385,000
Conditional grant for \$238,007 requiring the property to be used for affordable housing for 20 years. If the affordability period is not met, the funds must be returned or transferred to another project or organization at the grantor's option. As of December 31, 2022 and 2021, management had determined that \$91,682 and \$67,881, respectively, of the conditional grant had been substantially met and has been recognized as grant revenue.	146,326	170,126

See independent auditor's report.

HOMeward PIKES PEAK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

	2022	2021
Conditional grant to be used for the development of an affordable housing project for up to \$1,820,000. If the project is not completed and opened in 2023, the funds must be returned or transferred to another project or organization at the grantor's option.	\$ 1,635,568	\$ 479,447
Conditional grant for \$435,193 requiring HPP to provide support, mental health and substance abuse services to specific clients and achieve certain outputs beginning in 2023, otherwise the funds must be returned to the grantor.	435,193	-
Conditional grant to be used for affordable housing for \$750,000 requiring the property to be used for affordable housing for 15 years. If the affordability period is not met, the funds must be returned or transferred to another project or organization at the grantor's option.	750,000	-
	3,352,087	1,034,573
Less current portion	(408,801)	(408,801)
Unearned grant revenue, net of current portion	\$ 2,943,286	\$ 625,772

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31,:

	2022	2021
Housing First	\$ 55,050	\$ 7,500
RTC	37,500	242,500
Project Detour	115,670	-
Women's education	12,862	-
Clinic	-	35,000
Time restricted	-	410,667
	\$ 221,082	\$ 695,667

See independent auditor's report.

HOMeward PIKES PEAK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

9. CONTRIBUTED NONFINANCIAL ASSETS

The value of contributed supplies and services included in the financial statements and the corresponding expenses consist of the following for the years ended December 31,:

	2022	2021
Construction management services	\$ 225,000	\$ 300,000
Client rental assistance	46,739	-
Office and other supplies	17,704	18,769
	\$ 289,443	\$ 318,769

HPP recognized the above contributed nonfinancial assets in the accompanying statements of activities and functional expenses for the years ended December 31, 2022 and 2021. None of the contributed nonfinancial assets were received with donor restrictions.

Contributed construction management services are utilized for The Commons program, client rental assistance services are utilized for various affordable housing programs offered by HPP, and office and other supplies are utilized for various administrative matters.

HPP uses an estimate of fair value to measure contributed nonfinancial assets. Contributed construction management services are measured at the provider's standard hourly rates for similar projects. Client rental assistance is measured at affordable housing rates charged for similar programs. Office and other supplies are measured at the value that would have been paid had HPP purchased the nonfinancial assets.

10. EMPLOYEE RETENTION CREDIT

HPP claimed the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") totaling \$559,382. This amount has been included in grants and contributions in the accompanying statement of activities for the year ended December 31, 2022. As of year-end, the entire amount had been received. While management believes the claim complies with the provisions of the CARES Act, such provisions are subject to varying interpretations and may be subject to retroactive review. There can be no assurance that regulatory authorities will not challenge HPP's claim to the Employee Retention Credit, and it is not possible to determine the impact, if any, this would have on HPP.

See independent auditor's report.

HOMeward PIKES PEAK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

11. RETIREMENT PLAN

During the year ended December 31, 2022, HPP began sponsoring a 401(k) plan ("Plan") covering substantially all employees who meet certain minimum service requirements. HPP matches employee contributions up to 1% of annual compensation. During the year ended December 31, 2022, HPP's contributions to the Plan totaled \$7,417.

12. RELATED PARTY TRANSACTIONS

HPP leases office space from a company controlled by a board member (see Note 6). During the year ended December 31, 2022 and 2021, HPP paid this entity \$51,658 and \$44,555 in base rent expense and modified operating expenses under this lease, respectively.

13. CONCENTRATIONS

During the years ended December 31, 2022 and 2021, two and four grantors accounted for 43% and 74% of total grants and contributions, respectively. As of December 31, 2022 and 2021, four and one of HPP's grantors accounted for approximately 59% and 13% of total grants receivable, respectively.

14. THE COMMONS SUPPORTIVE HOUSING, LIMITED PARTNERSHIP

Beginning in 2019, HPP started raising funds for the construction of a permanent supportive housing project. In 2020, HPP purchased the land for the project, and in 2021, HPP entered into agreements and broke ground on The Commons, a 50-unit permanent supportive housing apartment building in Colorado Springs.

In order to meet guarantor obligations for financing the constructing of The Commons, HPP formed a General Partnership (The Commons, LLC) with another entity, Rocky Mountain Communities, LLC ("RMC"), to ensure guarantor status with respect to a note payable for the construction of the project. The Commons, LLC is owned 49% by HPP and 51% by RMC. The Commons, LLC then partnered with a tax credit investor and Colorado Springs Housing Authority ("CSHA") to form The Common Supportive Housing, Limited Partnership ("LP") for the purpose of constructing the housing project. The Commons, LLC is a 0.005% general partner in the LP.

See independent auditor's report.

HOMeward PIKES PEAK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The Commons, LLC is contingently liable as a guarantor on the \$13,206,000 construction note payable owed by the LP to finance construction of the project, as well as on the tax credit guarantees that support the project financing. These liabilities decrease over time and fully term by August 2039. At any time through that date, should the LP default on its debt payments, The Commons, LLC and, indirectly, HPP may be obligated to perform under the guarantee primarily by making the required payments, including late fees and penalties. As of December 31, 2022, balance outstanding on the construction note payable was \$9,058,697. HPP has not accrued any liability related to this amount because management does not expect HPP to have to make any payments under the guarantee.

The partnership with RMC provides additional synergies for this project, where HPP will provide tenant case management services and RMC will serve as the property manager once the facility is opened in April 2023. This operations arrangement strengthens the ownership agreement by providing direct management of the property.

Fifteen years after completion of the project, HPP contractually has a right of first refusal to purchase either the LP investor limited partner's 99% interest, or the project in its entirety, for a purchase price as outlined in the LP operating agreement. HPP's current intent is to exercise their right to purchase either the LP investor limited partner's 99% interest or the project.

* * * * *

See independent auditor's report.

SUPPLEMENTARY INFORMATION

HOMeward PIKES PEAK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

<u>Program Title</u>	<u>Pass-Through Organization</u>	<u>Federal Assistance Listing Number</u>	<u>Agreement Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Sub Recipients</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development						
Continuum of Care Program	N/A	14.267	CO0083L8T042012	N/A	\$ -	\$ 319,849
	N/A	14.267	CO0083L8T042113	N/A	-	220,216
	N/A	14.267	CO0110L8T042009	N/A	-	170,029
	N/A	14.267	CO0110L8T042110	N/A	-	52,947
	Colorado Department of Housing	14.267	N/A	H2COC21144	-	68,163
	N/A	14.267	CO0061L8T042114	N/A	-	395,236
Total Continuum of Care Program					-	1,226,440
COVID19 - Emergency Solutions Grant - CARES Act	Colorado Department of Local Affairs	14.231	N/A	H1ESG91474	-	6,197
	Colorado Department of Local Affairs	14.231	N/A	H1ESG91474	-	60,000
	City of Colorado Springs	14.231	N/A	CO10374	-	44,890
Total Emergency Solutions Grant Program					-	111,087
Total U.S. Department of Housing and Urban Development					-	1,337,527
U.S. Department of Human Services						
Community Services Block Grant	El Paso County	93.569	N/A	21-017E	-	102,405
Total Community Services Block Grant					-	102,405
Total U.S. Department of Human Services					-	102,405
Total Federal Financial Assistance					\$ -	\$ 1,439,932

See independent auditor's report and notes to schedule of expenditures of federal awards.

HOMeward PIKES PEAK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards ("SEFA") includes the federal award activity of Homeward Pikes Peak ("HPP"), under programs of the federal government for the year ended December 31, 2022. 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 SEFA presents only a selected portion of the operations of HPP, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of HPP. If HPP is required to match certain federal assistance, as defined by the grant agreements, no such matching has been included as expenditures in the schedule.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA 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 to reimbursement.

3. INDIRECT COSTS

Unless an indirect rate was specified in the grant agreement, Homeward Pikes Peak elected to use the 10% de minimis indirect cost rate to recover allowable indirect costs for federal grants.

4. RELATIONSHIP TO FINANCIAL STATEMENTS

The amount of total expenditures of federal awards reconciles to the revenue in the statement of activities as follows:

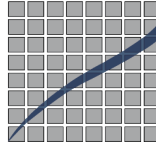
Total expenditures of federal awards	\$ 1,439,932
Add:	
Other expenditures of federal awards not subject to Uniform Guidance	537,036
Grants and contributions (non-federal awards)	<u>2,568,118</u>
Grants and contributions per statement of activities	<u><u>\$ 4,545,086</u></u>

5. OTHER ITEMS

Pass-through entity identifying numbers have been included where available.

See independent auditor's report.

**OTHER REPORTING REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***



BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors

Homeward Pikes Peak

Colorado Springs, Colorado

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 Homeward Pikes Peak ("Organization"), which comprise the statement of financial position as of December 31, 2022, and the related 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 July 6, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the 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 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 or significant deficiencies. 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 the Organization'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*.

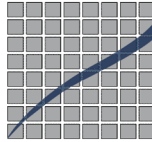
Purpose of This Report

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.

BiggsKofford, P.C.

Colorado Springs, Colorado

July 6, 2023



BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors

Homeward Pikes Peak

Colorado Springs, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Major Federal Program

We have audited Homeward Pikes Peak's ("Organization") 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 the Organization's major federal program for the year ended December 31, 2022. The Organization's major federal program is 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 compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("US GAAS"); 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 the Organization 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 the 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 US GAAS, *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 the major federal program as a whole.

In performing an audit in accordance with US GAAS, *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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 a deficiency in internal control over compliance that we consider to be a significant deficiency.

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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

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.

Government Auditing Standards require the auditor to perform limited procedures on the Organization's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 6, 2023

HOMeward PIKES PEAK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered a material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered a material weakness?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a)?	Yes

Identification of major program(s):

Assistance Listing Number	Name of Federal Program
14.267	Continuum of Care

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

HOMeward PIKES PEAK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

Section II - Financial Statement Findings

There are no current findings in internal control over financial reporting required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2022-001 - Continuum of Care Program - Assistance Listing No. 14.267; Grant No. CO0083L8T042012, Grant Period September 1, 2021 - August 31, 2022; Grant No. CO0083L8T042113, Grant Period September 1, 2022 - August 31, 2023; Grant No. CO0061L8T042114, Grant Period July 1, 2022 - June 30, 2023

Criteria: Where grants are used to pay rent for individual housing units, the rent paid must be reasonable in relation to rents being charged for comparable units taking into account relevant features. In addition, the rents may not exceed rents currently being charged by the same owner for comparable unassisted units, and the portion of rents paid with grant funds may not exceed HUD-determined fair market rents.

Condition: Significant Deficiency - A rental rate comparison to HUD published fair market rents was not performed for one tenant out of the 37 cases selected for testing, and there was no manager approval on the rental rate comparison to HUD published fair market rents for two other tenants out of the 37 cases selected for

Cause: The Organization was unable to provide a rental rate comparison and provide proof that a manager approved the rental rates due to turnover within the Organization.

Effect: Tenants and/or the Department of Housing and Urban Development could be charged unreasonable rental rates.

Recommendation: The Organization should compare rental rates to HUD published fair market rents for all tenants and document the comparison.

View of Responsible Official and Planned Corrective Action: Management agrees with the finding. See corrective action plan.

HOMeward PIKES PEAK
AUDITEE SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2022

Financial Statement Findings

There were no prior audit findings in internal control over financial reporting.

Federal Award Findings

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2021-001 - Continuum of Care Program

Condition: Significant Deficiency: The Organization does not have a formal procurement policy.

Recommendation: The Organization should create and implement a formal procurement policy.

Current Status: Corrective action has been taken. Homeward Pikes Peak has implemented a formal procurement policy in 2022 that address the requirements under the Continuum of Care Program and Uniform Guidance.