

DISTINCTIVE HOUSING SOLUTIONS, INC.

FINANCIAL REPORT

JUNE 30, 2020

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# ROBERT BAKER and ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of  
Distinctive Housing Solutions, Inc.  
Brunswick, Georgia

### Report on the Financial Statements

We have audited the accompanying financial statements of Distinctive Housing Solutions, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Distinctive Housing Solutions, Inc. as of June 30, 2020, 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.

## Other Matters

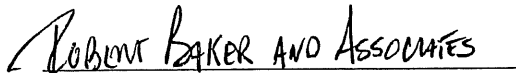
### *Other Information*

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 information 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 December 2, 2020, on our consideration of Distinctive Housing Solutions, 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 Distinctive Housing Solutions, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Distinctive Housing Solutions, Inc.'s internal control over financial reporting and compliance.

ROBERT BAKER and ASSOCIATES



Certified Public Accountants  
Albany, Georgia  
December 2, 2020

DISTINCTIVE HOUSING SOLUTIONS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

CURRENT ASSETS	
Cash	\$ 984,716
Cash - Restricted	2,500
Accounts Receivable	6,932
Prepaid Insurance	<u>6,974</u>
Total Current Assets	\$ <u>1,001,122</u>
CAPITAL ASSETS	
Capital Assets, Net of Accumulated Depreciation, Where Applicable Land and Buildings	\$ <u>4,718,878</u>
OTHER ASSETS	
Reserve Deposits	\$ <u>110,877</u>
TOTAL ASSETS	\$ <u>5,830,877</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	\$ 6,282
Due to Gateway Behavioral Health Services	186
Current Portion of Notes Payable	<u>272,046</u>
Total Current Liabilities	\$ <u>278,514</u>
NON-CURRENT LIABILITIES	
Notes Payable	\$ 4,214,893
Tenant Security Deposits	<u>2,500</u>
Total Non-Current Liabilities	\$ <u>4,217,393</u>
TOTAL LIABILITIES	\$ <u>4,495,907</u>
NET ASSETS	
Investment in Capital Assets Without Donor Restrictions	\$ 231,939
Total Net Assets	\$ <u>1,103,031</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>5,830,877</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

DISTINCTIVE HOUSING SOLUTIONS, INC.

STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2020

	<u>WITHOUT DONOR RESTRICTIONS</u>
OPERATING GRANTS AND CONTRIBUTIONS	
Rental Income	\$ 668,285
Other Income	3,270
Interest Income	5,469
Gain on Sale of Property	<u>141,776</u>
TOTAL OPERATING GRANTS AND CONTRIBUTIONS	\$ <u>818,800</u>
EXPENSES	
Program Services	\$ 495,845
Support Services	<u>167,227</u>
TOTAL EXPENSES	\$ <u>663,072</u>
CHANGE IN NET ASSETS	\$ 155,728
NET ASSETS - BEGINNING OF YEAR	<u>1,179,242</u>
NET ASSETS - END OF YEAR	\$ <u>1,334,970</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

DISTINCTIVE HOUSING SOLUTIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Fiscal Year Ended June 30, 2020

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>	
	<u>PROGRAM SERVICES</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>TOTAL</u>
Contracted Services	\$ -	\$ 113,376	\$ 113,376
Depreciation	171,021	19,002	190,023
Insurance	27,920	3,102	31,022
Interest Expense	55,600	6,178	61,778
Other	2,921	-	2,921
Professional Fees	8,127	-	8,127
Repairs and Maintenance	144,641	16,071	160,712
Supplies	1,075	120	1,195
Telephone	137	-	137
Utilities	<u>84,403</u>	<u>9,378</u>	<u>93,781</u>
Total Expenses	\$ <u>495,845</u>	\$ <u>167,227</u>	\$ <u>663,072</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

DISTINCTIVE HOUSING SOLUTIONS, INC.

STATEMENT OF CASH FLOWS

For The Fiscal Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Contributed Support Received	\$ 3,270
Earned Revenue Received	679,247
Investment Income Received	5,469
Cash Paid for Interest	( 61,778)
Cash Paid for Operating Expenses	( <u>411,578</u> )
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>214,630</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Mortgage Proceeds	\$ 271,515
Mortgage Principal Payments	( <u>539,250</u> )
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	\$ ( <u>267,735</u> )
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from Sale of Capital Assets	\$ 725,611
Purchase of Capital Assets	( 225,783)
(Increase)/Decrease in Reserve Deposits	( <u>18,410</u> )
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	\$ <u>481,418</u>
NET INCREASE/(DECREASE) IN CASH	\$ 428,313
CASH - BEGINNING OF THE YEAR	<u>558,903</u>
CASH - END OF THE YEAR	\$ <u><u>987,216</u></u>
Notes to Cash Flow Statement:	
Interest Paid	\$ 61,778
Income Tax Paid	-
Reconciliation of Changes in Net Assets to Cash	
Provided (Used) in Operating Activities	
Change in Net Assets	\$ 155,728
Adjustment to Reconcile Change in Net Assets to	
Cash Provided by Operating Activities	
Depreciation Expense	190,023
(Increase)/Decrease in Accounts Receivable	10,962
(Increase)/Decrease in Prepaid Expenses	4,426
Increase/(Decrease) in Accounts Payable	( 4,733)
Gain on Sale of Capital Assets	( <u>141,776</u> )
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u><u>214,630</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.



DISTINCTIVE HOUSING SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF OPERATIONS

Distinctive Housing Solutions, Inc. (DHS) is a non-profit component unit of Gateway Behavioral Health Services, established for the purpose of improving the quality of life for low-income persons with behavioral health and developmental disabilities by developing and managing affordable housing that promotes individual and economic self-sufficiency.

BASIS OF ACCOUNTING

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. Revenues are recorded when earned and expenses are recorded when incurred.

FINANCIAL STATEMENT PRESENTATION

New Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended June 30, 2020. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, the Organization will also present a statement of functional expenses and detailed information regarding liquidity and availability of resources.

The accompanying information from the 2019 financial statements has been adjusted to conform to the 2020 presentation and disclosure requirements of ASU No. 2016-14. This adjustment did not have an effect on total net assets or the change in net assets for 2019.

NET ASSETS

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

DISTINCTIVE HOUSING SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

CASH AND CASH EQUIVALENTS

The Organization maintains its cash in bank deposit accounts and the balances did not exceed federally insured limits. The Organization considers all highly liquid securities purchased with a maturity date of three months or less to be cash equivalent.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased and at estimated fair value if received as a contribution. Distinctive Housing Solutions, Inc. follows the practice of capitalizing all expenditures for property and equipment in excess of \$5,000. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets generally as follows:

Buildings and Improvements	15-30 years
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REVENUE RECOGNITION

The Organization has earned revenues and public support. Earned revenues represent fees earned, revenue generated through the performance or provision of services or revenue generated through investment. These revenues are recorded when earned, which occurs when the service is performed or the funds are expended. Public support represents unconditional gifts in a voluntary nonreciprocal transfer. The Organization recognizes all contributed public support received as income in the period pledged.

MANAGEMENT ESTIMATES

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

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

INCOME TAXES

The Organization's activities are generally exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code. Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expense.

DISTINCTIVE HOUSING SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income tax benefits are recognized for income tax positions taken, or expected to be taken, in a tax return only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations, or cash flows. Accordingly, the Organization has not recorded any tax assets or liabilities, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2020. The Organization would recognize interest and penalties, if any, related to unrecognized tax benefits in interest expense.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualifications of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. There currently are no audits of the Organization's returns in progress. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations for the tax years before 2010.

NOTE 2 - CASH AND DEPOSITS

Total deposits and investments as of June 30, 2020 are summarized as follows:

As reported in the Statement of Financial Position:

Cash	\$	984,716
Cash - Restricted		2,500
Reserve Deposits		<u>110,877</u>
Total	\$	<u>1,098,093</u>
Cash deposited with financial institutions	\$	<u>1,098,836</u>

NOTE 3 - CAPITAL ASSETS

Capital Assets for activity for the fiscal year ending June 30, 2020 was as follows:

	Balance <u>June 30, 2019</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2020</u>
Land and Buildings	\$ 7,624,190	\$ 225,783	\$ ( 1,137,266)	\$ 6,712,707
Furniture and Fixtures	<u>3,226</u>	<u>-</u>	<u>-</u>	<u>3,226</u>
	\$ 7,627,416	\$ 225,783	\$ ( 1,137,266)	\$ 6,715,933
Accumulated Depreciation	( <u>2,369,929</u> )	( <u>190,023</u> )	<u>562,897</u>	( <u>1,997,055</u> )
Capital Assets (Net)	\$ <u>5,257,487</u>	\$ <u>35,760</u>	\$ ( <u>574,369</u> )	\$ <u>4,718,878</u>

DISTINCTIVE HOUSING SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - RESERVE DEPOSITS

As part of the construction loan agreement with the Georgia Housing and Finance Authority, Distinctive Housing Solutions, Inc. was required to set up reserve accounts with an escrow agent and fund the reserve accounts as indicated:

1. Operating Deficit Reserve - A onetime deposit of \$50,000 was required and deposited on June 1, 2011.
2. Replacement Reserve - Monthly deposits of \$480.00 are required.
3. Insurance/Tax Reserve - Monthly deposits of \$798.67 are required. This amount will be adjusted annually based on actual insurance and property tax costs.

NOTE 5 - NOTES PAYABLE

The following Notes Payable represents mortgages on various buildings owned by Distinctive Housing Solutions, Inc.:

Mortgages:

	<u>CURRENT</u>	<u>LONG-TERM</u>	<u>RATE</u>	<u>MONTHLY PAYMENT</u>	<u>COLLATERAL</u>
BB&T	\$ 220,179	\$ 149,048	3.76%	\$ 19,203.89	Real Property
BB&T	21,763	519,286	4.64%	3,896.07	Real Property
Ameris Bank	3,188	96,652	5.0%	681.39	Real Property
Ameris Bank	5,256	159,322	5.0%	1,123.20	Real Property
Georgia Housing and Finance Authority	14,160	3,218,710	-	Varies	Real Property
State Housing Trust Fund	<u>7,500</u>	<u>71,875</u>	-	\$ 625.00	Real Property
	\$ <u>272,046</u>	\$ <u>4,214,893</u>			

The long-term debt matures as follows:

June 30, 2021	\$ 272,046
2022	201,162
2023	52,733
2024	53,278
2025	270,516
Thereafter	<u>3,637,204</u>
	\$ <u>4,486,939</u>

Interest paid for FY2020 was \$61,778.