

OSCAR ROMERO HOUSE, INC.

FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Oscar Romero House, Inc.
Fall River, Massachusetts

We have reviewed the accompanying financial statements of Oscar Romero House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, statement of functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Hague, Sahady & Co. PC

Hague, Sahady, & Co., CPAs, P.C.

Fall River, Massachusetts
August 23, 2021

OSCAR ROMERO HOUSE, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2021

ASSETS

Current Assets

Cash	\$ 2,056
Rent receivable, net of allowance for doubtful accounts of \$0	<u>366</u>
<i>Total Current Assets</i>	<u>2,422</u>

Noncurrent Assets

Property and equipment, net of accumulated depreciation of \$808,028	1,956,311
Replacement reserves	<u>59,804</u>
<i>Total Noncurrent Assets</i>	<u>2,016,115</u>

Total Assets	<u>\$ 2,018,537</u>
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LIABILITIES AND NET ASSETS (DEFICIT)

Liabilities

Current Liabilities

Accounts payable	\$ 121
Due to a related party	9,993
Notes payable - current maturities	<u>8,020</u>
<i>Total Current Liabilities</i>	<u>18,134</u>

Noncurrent Liabilities

Notes payable, net of current maturities	<u>2,379,364</u>
<i>Total Noncurrent Liabilities</i>	<u>2,379,364</u>

Total Liabilities	<u>2,397,498</u>
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Net Assets (Deficit)

Without Donor Restrictions

Undesignated	<u>(378,961)</u>
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Total Net Assets	<u>(378,961)</u>
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Total Liabilities and Net Assets (Deficit)	<u>\$ 2,018,537</u>
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See accompanying notes and independent accountant's review report

OSCAR ROMERO HOUSE, INC.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	Without Donor Restrictions
REVENUE	
Rental income	\$ 99,485
Laundry income	993
Interest	58
<i>Total revenues</i>	<u>100,536</u>
EXPENSES	
Program services	147,952
Support services	<u>35,859</u>
<i>Total expenses</i>	<u>183,811</u>
Change in net assets	(83,275)
Unrestricted net assets (deficit), beginning of year	<u>(295,686)</u>
Unrestricted net assets (deficit), end of year	<u><u>\$ (378,961)</u></u>

See accompanying notes and independent accountant's review report

OSCAR ROMERO HOUSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Program Services	Support Services	Total Expenses
Administrative services fees	\$ -	\$ 28,836	\$ 28,836
Accounting	-	6,370	6,370
Depreciation	91,454	-	91,454
Interest	6,376	-	6,376
Miscellaneous	9,364	165	9,529
Office expenses	-	488	488
Property insurance	12,052	-	12,052
Repairs and maintenance	12,972	-	12,972
Telephone	3,251	-	3,251
Utilities	12,483	-	12,483
<i>Total expenses</i>	<u>\$ 147,952</u>	<u>\$ 35,859</u>	<u>\$ 183,811</u>

See accompanying notes and independent accountant's review report

OSCAR ROMERO HOUSE, INC.

STATEMENT OF CASH FLOWS
Year Ended June 30, 2021

Cash Flows from Operating Activities	
Change in net assets	\$ (83,275)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	91,454
Change in:	
Accounts receivable	(294)
Accounts payable	<u>(588)</u>
<i>Net cash used in operating activities</i>	<u>7,297</u>
Cash Flows from Investing Activities	
Replacement reserve deposits	<u>(3,958)</u>
<i>Net cash used in investing activities</i>	<u>(3,958)</u>
Cash Flows from Financing Activities	
Advances from a related party	
Net payments from related parties	3,034
Purchases of property and equipment	-
Principal payments on notes payable	<u>(6,428)</u>
<i>Net cash used in financing activities</i>	<u>(3,394)</u>
Net decrease in cash	(55)
Cash, Beginning of Year	<u>2,111</u>
Cash, End of Year	<u>\$ 2,056</u>
Supplemental Disclosure of Cash Flow Information:	
Interest paid	<u>\$ 6,376</u>

See accompanying notes and independent accountant's review report

OSCAR ROMERO HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE A - NATURE OF ORGANIZATION AND OPERATIONS

Oscar Romero House, Inc. (ORH) is a non-profit corporation organized on March 1, 2012 under the laws of Massachusetts. ORH was organized for the purpose of developing and operating a 12-unit apartment complex located at 8 Allen Street, New Bedford, MA for low income individuals and families.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting and in accordance with the reporting principles of not-for-profit accounting as defined by the Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC).

Basis of Presentation

Revenue Recognition – ORH's primary revenue stream is rent charges for residential units under leases with durations of less than one year. ORH records revenue for such leases at gross potential. The rental value of vacancies and other concessions are stated separately to present net rental income on the accrual basis. This contract requires tenants to contribute a portion of the contract rent based on formulas prescribed by NeighborWorks Housing Solutions.

Subsidy income is considered part of the lease and is not considered a contribution under ASC 958. This standard indicates that government payments to specifically identified participants are to be considered exchange transactions and potentially subject to ASC 606. ORH believes that such both rental and subsidy income streams are exempted from compliance with ASC 606 due to their inclusion under current and future lease standards. Revenue streams subject to ASC 606 include: tenant reimbursement of consumption-based costs paid by ORH on behalf of the tenant, such as utilities and other monthly fees. Additional revenue includes laundry, vending, pet and parking fees as well as damages. Such fees are ancillary to the lease process and are recognized as revenue at the point in time such fees are incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, ORH considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2021, ORH did not have any highly liquid investments. Cash is classified as unrestricted unless it is restricted by laws, regulations, regulatory or other agreements.

Rent Receivables

Rent receivables represent rents that are due from tenants living at ORH and rental subsidies from Housing Solutions for Southeastern, MA. A tenant receivable is considered past due if payments have not been received by ORH within 14 days. At that time, ORH issues a letter of intent to the tenant concerning past due rents. If collection does not occur after a 14-day notice is issued, eviction proceedings begin. Accounts are written off as uncollectible if no payments are received at the conclusion of those proceedings. A subsidy receivable is considered past due if payments have not been received by ORH within 30 days. At that time, ORH contacts Housing Solutions for Southeastern, MA

OSCAR ROMERO HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rent Receivables (Continued)

and attempts to collect the subsidy payments. Accounts are written off as uncollectible if no payments are received at the conclusion of these procedures.

An allowance for doubtful accounts is provided based on management's valuation of outstanding receivables at the end of the year. At June 30, 2021 no allowance was deemed necessary. ORH does not have a policy to accrue interest or to require collateral or other security to secure receivables.

Rental Income

Rental income is recognized on the accrual basis as rents become due. The units are principally rented on short-term basis.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition, or if donated, at fair market value at the date of donation. Capitalization is generally applied to depreciable assets whose cost is \$2,000 or more and has a useful life of greater than one year. Expenditures for normal maintenance and repairs and add to the value or extend the useful life of the related asset are capitalized. Depreciation is provided using the straight-line depreciation method over the following estimated useful lives of the below asset categories:

	<u>Years</u>
Building and improvements	30
Furniture and equipment	5 - 10

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairments in the year of determination. Long-lived assets were tested for impairment as of June 30, 2021 and in the opinion of management, there were no impairments.

Revenue Recognition

Revenue Recognition – ORH's primary revenue stream is rent charges for residential units under leases with durations of less than one year. The ORH records revenue for such leases at gross potential. The rental value of vacancies and other concessions are stated separately to present net rental income on the accrual basis. This contract requires tenants to contribute a portion of the contract rent based on formulas prescribed by NeighborWorks Housing Solutions.

Subsidy income is considered part of the lease and is not considered a contribution under ASC 958. This standard indicates that government payments to specifically identified participants are to be considered exchange transactions and potentially subject to ASC 606. ORH believes that such both rental and subsidy income streams are exempted from compliance with ASC 606 due to their inclusion under current and future lease standards. Revenue streams subject to ASC 606 include: tenant reimbursement of consumption-based costs paid by the ORH on behalf of the tenant, such as utilities and other monthly fees. Additional revenue includes laundry, vending, pet and parking fees as well as damages. Such fees are ancillary to the lease process and are recognized as revenue at the point in time such fees are incurred.

OSCAR ROMERO HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Tax-Exempt Status

ORH is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. ORH is also exempt from state income taxes under Chapter 180 of the Massachusetts' General Laws. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

ORH is subject to the provisions of the Financial Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because of ORH's general tax-exempt status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on ORH's financial statements. ORH's income tax returns are subject to examination by taxing authorities generally for the years ended June 30, 2017, 2018, 2019 and 2020.

Functional Allocation of Expenses

Expenditures incurred in connection with project operations and expenses for entity and mortgagor expenses have been summarized on a functional basis in the statement of activities and functional expenses. The majority of expenses are directly identified with a program or supporting services.

The financial statement reports certain categories of expenses that are attributable to one or more program or supporting service of the Organization. Therefore, these expenses require allocation on a reasonable basis and include expenses for employee payroll and related costs and are allocated based on time and effort for the specific function.

Use of Estimates

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

OSCAR ROMERO HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2021

NOTE C – LIQUIDITY

The following reflects the financial assets of as the balance sheet date, reduced by amounts not available for general use because of contractual or other donor-imposed restrictions within one year of the balance sheet date:

Liquidity of Financial Assets:

Cash	\$	2,056
Rent receivables		366
Replacement reserves		59,804
Less: Replacement reserves not expected to cover general expenditures		<u>(59,804)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>2,422</u>

ORH's funds for replacement reserve for withdrawals are subject to the criteria outlined in accordance with the regulatory agreements, and as a result are not available for current expenditures due to contractual obligations in accordance with rental agreements. Additionally, funds deposited for tenant's security deposits are not available for current expenditures due to contractual obligations in accordance with rental agreements.

ORH structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following at June 30, 2021:

Building and improvements	\$2,728,257
Furniture and equipment	<u>36,082</u>
	2,764,339
Less: accumulated depreciation	<u>(808,028)</u>
	<u>\$1,956,311</u>

Depreciation expense was \$91,454 for the year ended June 30, 2021.

NOTE E - REPLACEMENT RESERVES

Under the note agreement with the Massachusetts Department of Housing and Community Development (DHCD), ORH is required to set aside \$390 each month for the replacement of property and equipment. The use of these funds requires approval from DHCD. At June 30, 2021 ORH has reserved \$59,804 for such purposes.

OSCAR ROMERO HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2021

NOTE F - NOTES PAYABLE

Note payable with Massachusetts Housing Partnership Fund Board; principal and other payments, if not paid sooner, shall be due in February 2063; non-interest bearing; note is secured by real property and requires certain use restrictions; during the one year period prior to the maturity date, ORH may request to extend the maturity date for a period of up to the original term of the note.

\$ 599,998

Note payable with Commonwealth of Massachusetts Department of Housing and Community Development; principal and other payments, if not paid sooner, shall be due in February 2043; non-interest bearing; note is secured by real property and requires certain use restrictions; during the one year period prior to the maturity date, ORH may request to extend the maturity date for a period of up to the original term of the note.

600,000

Note payable with Community Economic Development Assistance Corporation; principal and other payments, if not paid sooner, shall be due in February 2043 unless extended up to 10 years by the note holder; non-interest bearing; note is secured by real property and requires certain use restrictions.

435,836

Note payable with the City of New Bedford; principal and other payments, if not paid sooner, shall be due in February 2043; non-interest bearing; note is secured by real property and requires certain use restrictions; during the one year period prior to the maturity date, ORH may request to extend the maturity date for a period of up to the original term of the note.

199,101

Note payable with a local bank through the Federal Home Loan Bank of Boston Affordable Housing Program; non-interest bearing; note is secured by real property; note shall be deemed satisfied and the borrower shall be entitled to a release of the security agreement upon the expiration of 15 years of operation of the project.

400,000

Note payable with a local bank; note is secured with a first mortgage on real property located at 8 Allen Street, New Bedford, MA and a subordinate mortgage on real property of the guarantor, Community Action for Better Housing, Inc., located at 1162-1168 Acushnet Avenue, New Bedford, MA; interest at Wall Street Prime Rate with a ceiling of 5%; interest currently at 3.25%; requires monthly principal and interest payments of \$1,067 through June 2034.

152,450

OSCAR ROMERO HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2021

NOTE F - NOTES PAYABLE (Continued)

Total notes payable	2,387,384
Less: current maturities	<u>(8,020)</u>
	<u>\$ 2,379,364</u>

Minimum principal payments for the next five years at June 30, 2021 are as follows:

2022	\$ 8,020
2023	8,285
2024	8,293
2025	8,301
2026	8,309
Thereafter	<u>2,354,485</u>
	<u>\$ 2,387,384</u>

Interest expense was \$6,376 for the year ended June 30, 2021.

NOTE G - CONCENTRATION OF CREDIT RISK

ORH maintains its cash deposits at a local financial institution insured by the Federal Deposit Insurance Corporation (FDIC). Deposits at FDIC insured institutions are insured to at least \$250,000 per depositor. There were no cash balances in excess of federally insured limits as of June 30, 2021.

NOTE H - RELATED PARTY TRANSACTIONS

For the year ended June 30, 2021, transactions with Community Action for Better Housing, Inc. (CABH), a related party with the same Executive Director and full-charge bookkeeper, are as follows:

- During fiscal year 2021, ORH owed CABH \$9,993 for reimbursement of expenses CABH paid on behalf of ORH.

NOTE I - SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 23, 2021, the date of the financial statements were available to be issued. No such events requiring recording or disclosure subsequent to year-end were noted as of August 23, 2021.

OSCAR ROMERO HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE J – Coronavirus (COVID-19)

On January 30, 2020, the World Health Organization declared the Coronavirus to be a public health emergency. On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the Coronavirus outbreak. As a result of the spread of COVID-19 there is considerable uncertainty around the duration of the pandemic and accordingly, the financial impact related to grant funding, rental income, investment income and other potential financial impacts cannot be reasonably estimated at this time.