



Eder, Casella & Co.
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*TRANSITIONAL LIVING SERVICES, INC.
(d/b/a VETERANS PATH TO HOPE)*

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2021

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TRANSITIONAL LIVING SERVICES, INC.
(d/b/a VETERANS PATH TO HOPE)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
 Transitional Living Services, Inc.
 (d/b/a Veterans Path to Hope)
 Crystal Lake, Illinois

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of

TRANSITIONAL LIVING SERVICES, INC.
 (d/b/a VETERANS PATH TO HOPE)
 (a nonprofit organization)

which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization. as of December 31, 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 State of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial 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 our 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 14 to the financial statements, the Organization adopted new accounting guidance ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, 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 ability to continue as a going concern for one year after the date that the financial statements are issued.

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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 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2022, on our consideration of Transitional Living Services, Inc.'s (d/b/a Veterans Path to Hope) internal control over financial reporting and on our test 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 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 the Organization's internal controls over financial reporting and compliance.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
April 15, 2022



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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*

To the Board of Directors
Transitional Living Services, Inc.
(d/b/a Veterans Path to Hope)
Crystal Lake, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of

TRANSITIONAL LIVING SERVICES, INC.
(d/b/a VETERANS PATH TO HOPE)
(a nonprofit organization)

which comprise the statement of financial position as of December 31, 2021, 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 April 15, 2022.

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 Organization'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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. 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*.

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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.

Eder, Casella & Co.
EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
April 15, 2022

FINANCIAL STATEMENTS

TRANSITIONAL LIVING SERVICES, INC.
(d/b/a VETERANS PATH TO HOPE)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 948,951
Restricted Cash	1,609
Grants Receivable	155,363
Inventory	61,886
Prepaid Expenses	2,896
Total Current Assets	\$ 1,170,705
Investments	69,990
Property and Equipment, net	756,384
Other Assets	
Security Deposits	\$ 5,135
Deposit on Equipment	13,498
Restricted Funded Reserves	
IHDA Operating Reserve	29,745
IHDA Tax and Insurance Reserve	64,841
IHDA Replacement Reserve	83,900
Total Other Assets	197,119
TOTAL ASSETS	\$ 2,194,198

LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 3,437
Accrued Expenses	118,526
Current Maturities of Long-Term Debt	1,200
Total Current Liabilities	\$ 123,163
Long-Term Liabilities	
Notes Payable	\$ 619,127
Total Long-Term Liabilities	619,127
Total Liabilities	\$ 742,290

NET ASSETS

Without Donor Restrictions	
Board Designated	\$ 300,000
Undesignated	971,813
	\$ 1,271,813
With Donor Restrictions	180,095
Total Net Assets	\$ 1,451,908
TOTAL LIABILITIES AND NET ASSETS	\$ 2,194,198

The Notes to Financial Statements are an integral part of this statement.

TRANSITIONAL LIVING SERVICES, INC.
(d/b/a VETERANS PATH TO HOPE)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Federal Grants	\$ 1,713,404	\$ -	\$ 1,713,404
State and Local Grants	341,025	-	341,025
Other Grants	45,000	-	45,000
Special Events	88,921	-	88,921
In-Kind Contributions	359,071	-	359,071
Contributions	475,921	-	475,921
Rental Income	44,355	-	44,355
Other Revenue			
Other Income	22,353	-	22,353
Paycheck Protection Program Revenue	363,200	-	363,200
Return on Investment	5,976	3,518	9,494
Net Assets Released from Restrictions	4,493	(4,493)	-
Total Operating Revenues, Gains, and Other Support	\$ 3,463,719	\$ (975)	\$ 3,462,744
OPERATING EXPENSES			
Program Services			
New Horizons	\$ 936,166	\$ -	\$ 936,166
Employment Program	386,134	-	386,134
SSVF	589,972	-	589,972
Resource Center	309,011	-	309,011
Social Enterprise	29,957	-	29,957
Legacy Corp	171,288	-	171,288
VSH	248,061	-	248,061
Supporting Services			
Management and General	295,889	-	295,889
Fundraising	153,524	-	153,524
Direct Benefits to Donors	7,012	-	7,012
Total Operating Expenses	\$ 3,127,014	\$ -	\$ 3,127,014
CHANGE IN NET ASSETS	\$ 336,705	\$ (975)	\$ 335,730
NET ASSETS AT BEGINNING OF YEAR	935,108	181,070	1,116,178
NET ASSETS AT END OF YEAR	\$ 1,271,813	\$ 180,095	\$ 1,451,908

The Notes to Financial Statements are an integral part of this statement.

TRANSITIONAL LIVING SERVICES, INC.
(d/b/a VETERANS PATH TO HOPE)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	PROGRAM SERVICES										SUPPORTING SERVICES		
	New Horizons	Employment Program	SSVF	Resource Center	Social Enterprise	Legacy Corp	VSH	Total	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total	
Salaries	\$ 528,206	\$ 201,371	\$ 259,563	\$ 145,345	\$ 3,909	\$ 102,277	\$ 110,073	\$ 1,350,744	\$ 137,564	\$ 105,815	\$ -	\$ 1,594,123	
Employee Benefits	25,321	38,554	24,878	9,957	-	-	17,880	116,590	24,548	9,553	-	150,691	
Payroll Taxes	41,191	14,516	19,378	11,361	325	7,882	8,335	102,988	12,808	8,015	-	123,811	
Professional Fees	27,759	12,428	14,560	12,143	7,195	806	659	75,550	11,073	11,141	-	97,764	
Office Expenses	25,108	8,335	9,280	4,402	110	1,360	98	48,693	10,919	3,704	-	63,316	
Occupancy	16,892	27,334	42,801	36,097	7,529	11,337	2,933	144,923	56,599	1,788	-	203,310	
Travel	23,927	18,075	5,415	2,504	3,639	10,919	-	64,479	158	-	-	64,637	
Depreciation	78,712	-	-	-	7,250	-	-	85,962	2,000	-	-	87,962	
Insurance	50,203	3,191	3,568	1,612	-	-	-	58,574	1,870	-	-	60,444	
Donated Supplies Distributed	61,537	61,537	61,537	61,537	-	30,769	-	307,685	-	-	-	307,685	
Client Assistance	56,971	728	148,601	23,733	-	2,511	76,439	308,983	18,877	3,080	-	330,940	
Administrative	339	65	65	-	-	3,427	876	4,772	268	219	-	5,259	
Bad Debt	-	-	-	-	-	-	-	-	17,259	-	-	17,259	
Meals, Venue and Entertainment	-	-	-	-	-	-	-	-	-	5,805	7,012	12,817	
Event Expenses	-	-	326	320	-	-	-	646	1,946	4,404	-	6,996	
	\$ 936,166	\$ 386,134	\$ 569,972	\$ 309,011	\$ 29,957	\$ 171,288	\$ 248,061	\$ 2,670,589	\$ 295,889	\$ 153,524	\$ 7,012	\$ 3,127,014	

The Notes to Financial Statements are an integral part of this statement.

TRANSITIONAL LIVING SERVICES, INC.
(d/b/a VETERANS PATH TO HOPE)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$	335,730
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation		87,962
Unrealized (Gain)/Losses		(7,631)
Decrease/(Increase) in Assets:		
Grants Receivable		(21,903)
Inventory		(51,386)
Prepaid Expenses		(252)
Deposit on Equipment		34,402
Restricted Funded Reserves		(3,519)
Increase/(Decrease) in Liabilities:		
Accounts Payable		(47,318)
Accrued Expenses		14,684
Deferred Revenue		(70,040)
Net Cash Flows Provided/(Used) by Operating Activities		<u>\$ 270,729</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Furniture and Equipment	\$	(207,579)
Purchase of Investments		(2,835)
Net Cash Flows Provided/(Used) by Investing Activities		<u>(210,414)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Long-Term Borrowings	\$	(1,200)
Net Cash Flows Provided/(Used) by Financing Activities		<u>(1,200)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$	59,115
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR		<u>891,445</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	\$	<u><u>950,560</u></u>

The Notes to Financial Statements are an integral part of this statement.

TRANSITIONAL LIVING SERVICES, INC.
(d/b/a VETERANS PATH TO HOPE)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Transitional Living Services, Inc. (d/b/a Veterans Path to Hope) (Organization) is an Illinois corporation organized on October 17, 1996 for the purpose of supplying basic needs, shelter, and a number of transitional services to homeless veterans. Support is offered in the areas of housing and employment assistance, transitional living, basic needs including food/furniture/household goods, peer support activities, caregiver training, and counseling. In 2021, the Organization started doing business as Veterans Path to Hope.

A. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) and accordingly reflect all significant receivables, payables and other liabilities.

B. Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors. Net assets without donor restrictions includes board-designated net assets as described in Note 8.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

C. Measure of Operations

The Statement of Activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

D. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions.

E. Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

F. Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair value. Equity securities without readily determinable fair values are stated at cost.

G. Inventories

Inventory at December 31, 2021 consists of household goods and clothing valued at \$61,886. All inventories are donated and are stated at market value.

H. Property and Equipment

The Organization capitalizes all expenditures for Property and Equipment with a cost of over \$5,000 and an estimated useful life of 3 or more years. Purchased Property and Equipment is carried at cost. Donated Property and Equipment is carried at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Building and Improvements	27
Land Improvements	2
Furniture and Equipment	5 - 7

I. Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend on have been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Contributions Receivable are due in less than one year and Management represents that such amounts are 100% collectible; therefore, no allowance is provided in the financial statements.

J. In-kind Contributions

In-kind contributions of property and equipment are recorded as contributions at the estimated fair value of the property contributed at the date of donation.

In-kind contributions of services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals possessing those skills and would otherwise need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out their mission. The Organization generally pays for services requiring specific expertise. Management estimates that volunteers donated 416 hours of service during the year ended December 31, 2021; however, these services do not meet the criteria for recognition as contributed services

K. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. All direct expenses have been allocated to the respective function. Salaries and wages, benefits, payroll taxes, professional services,

NOTES TO THE FINANCIAL STATEMENTS (Continued)

office expense, information technology, interest, insurance, and other are allocated based on the time spent on each activity. All occupancy-related costs, depreciation, and amortization are allocated based on the coverage of space used for the programs.

L. *Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses. Management evaluates, on an ongoing basis, the estimates and assumptions based on new information. Management represents that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

M. *Income Tax Status*

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and reported no unrelated business income for the year ended December 31, 2021. Management represents there are no uncertain tax position or other provision for income taxes that should be recognized in these financial statements. In addition, the Organization qualifies to receive deductible charitable contributions pursuant to Section 170(b)(1)(A)(vi).

NOTE 2 - FAIR VALUE MEASUREMENT

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value.

Fair values approximate carrying value for all assets and current liabilities, measured on a recurring basis, at December 31, 2021. All are considered Level 1 observable inputs; the carrying amount approximates fair value because of the short maturities thereof.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Fair Value Measurements Using	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Stocks	\$ 2,460	\$ 2,460
Mutual Funds	67,530	67,530
	<u>\$ 69,990</u>	<u>\$ 69,990</u>

NOTE 3 - INVESTMENTS

Investments held by the Organization are stated at fair market value and consist of the following at December 31, 2021:

	Cost	Fair Market Value	Unrealized Appreciation
Stocks	\$ -	\$ 2,460	\$ 2,460
Mutual Funds	50,000	67,530	17,530
	<u>\$ 50,000</u>	<u>\$ 69,990</u>	<u>\$ 19,990</u>

Investment return for the year ended December 31, 2021 consists of the following:

Interest and Dividends	\$ 3,553
Unrealized Gain/(Loss) on Investments	7,631
Administrative Fees	(1,690)
	<u>\$ 9,494</u>

NOTE 4 - AVAILABILITY AND LIQUIDITY

The following table shows the total financial assets held by the Organization and the amounts of those financial assets that could be readily made available within one year of the Statement of Financial Position date to meet general expenses:

Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 950,560
Grant Receivable	155,363
Investments	69,990
Total Financial Assets	<u>\$ 1,175,913</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	\$ 180,095
Board Designated	300,000
	<u>\$ 480,095</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 695,818</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses and is to manage liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining enough reserves to provide reasonable assurance that long-term obligations will be fulfilled. Annually, the Board designates a portion of funds to its liquidity reserve, which was \$300,000 as of December 31, 2021. This fund was established for the IHDA mortgage due in 2031 by the Governing Board with strict restrictions; however, it may be drawn upon for anything other than the IHDA mortgage only with board resolution in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. During the year ending December 31, 2021, the level of liquidity was managed within the policy requirements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 5 - PROPERTY AND EQUIPMENT

Property and Equipment owned by the Organization at December 31, 2021 consist of the following:

	Cost	Accumulated Depreciation	Book Value
Land	\$ 227,190	\$ -	\$ 227,190
Land Improvements	190,201	118,466	71,735
Building and Improvements	1,058,428	657,675	400,753
Transportation Equipment	156,975	100,269	56,706
Furniture and Fixtures	11,704	11,704	-
	<u>\$ 1,644,498</u>	<u>\$ 888,114</u>	<u>\$ 756,384</u>

Depreciation expense in the amount of \$87,962 is reported on the Statement of Functional Expenses for the year ended December 31, 2021.

NOTE 6 - NOTES PAYABLE

The Organization's obligations under notes payable consists of the following:

	Maturity Date	Interest Rate	Security	Face Amount	Carrying Amount
Illinois Housing Development Authority Mortgage	9/1/2031	0.00%	Building	\$ 644,727	\$ 620,327

The future scheduled maturities of long-term debt are as follows:

Year Ending December 31	Principal	Interest	Total
2022	\$ 1,200	\$ -	\$ 1,200
2023	1,200	-	1,200
2024	1,200	-	1,200
2025	1,200	-	1,200
2026	1,200	-	1,200
Thereafter	614,327	-	614,327
	<u>\$ 620,327</u>	<u>\$ -</u>	<u>\$ 620,327</u>

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Donor Restrictions at December 31, 2021 were restricted for the following purposes:

Purpose for Restrictions	
Dwight Maness Fund	\$ 1,609
IHDA Operating Reserve	29,745
IHDA Tax and Insurance Reserve	64,841
IHDA Replacement Reserve	83,900
	<u>\$ 180,095</u>

Net assets released from donor restrictions due to occurrence of expenditures in the amount of \$4,493 is reported on the Statement of Activities for the year ended December 31, 2021.

NOTE 8 - BOARD-DESIGNATED NET ASSETS

The Governing Board of the Organization has designated Net Assets Without Donor Restrictions at December 31, 2021 for the following purposes:

New Horizons Balloon Mortgage Payment	\$ 300,000
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9 - IN-KIND DONATIONS

The Organization relies on in-kind contributions to conduct its programs by providing basic needs, services and shelter to homeless veterans. In-kind contributions of goods, which consist of food, clothing, household items and furniture, totaled \$307,685 and are reported as In-Kind Contributions on the Statement of Activities and on the Statement of Functional Expenses for the year ended December 31, 2021 and none were restricted by the donors. The contributed household goods and food are valued at the estimated fair value based on the estimates of wholesale values that would be received for selling similar products in the US.

NOTE 10 - OPERATING LEASES

The Organization has several noncancellable operating leases, primarily for office space, that expire at various dates through December 31, 2021. Those leases generally contain renewal options for periods ranging from three to five years and require the Organization to pay all executory costs such as taxes, maintenance, and insurance.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2021, are:

<u>Year Ending December 31</u>	
2022	\$ 98,100
2023	91,809
2024	92,727
2025	93,654
2026	94,591
Thereafter	895,040
	<u>\$ 1,365,921</u>

Rental expense in the amount of \$99,600 is reported in Occupancy Expense on the Statement of Functional Expenses for the year ended December 31, 2021.

NOTE 11 - CONCENTRATION/CONTINGENCIES

For the year ended December 31, 2021 the funding received from the Federal Health Care Center and Special Needs Assessment Program represented 39% of total revenues and 77% of Federal revenues. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities. These programs are subject to review by the grantors or their representatives. The reviews of certain of these programs for the year ended December 31, 2021 have not been completed. Accordingly, the Organization's compliance with applicable requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the governmental agencies cannot be determined at this time.

NOTE 12 - PAYCHECK PROTECTION PROGRAM

The Organization received a forgivable loan through the US Small Business Administration under CARES Act Paycheck Protection Program. The loan received was \$363,200 and is recognized as revenue in the current year. The proceeds must be used for payroll costs, rent, and utilities over the 24-week period beginning from the day the funds were disbursed. At the end of the period, the Organization applied for and was granted forgiveness.

NOTE 13 - SUBSEQUENT EVENTS

The Organization is not aware of any material subsequent events through April 15, 2022, the date on which the financial statements were available to be issued.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

The Organization adopted the new accounting guidance ASU 2020-07, *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets*. The update requires the Organization to disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the Statement of Activities by the category of contributed nonfinancial assets and update the disclosure for each of these categories. The Organization has adjusted the presentation of these statements and notes accordingly.

ANNUAL FEDERAL FINANCIAL COMPLIANCE SECTION



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

To the Board of Directors
Transitional Living Services, Inc.
(d/b/a Veterans Path to Hope)
Crystal Lake, Illinois

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited

TRANSITIONAL LIVING SERVICES, INC.'s
(d/b/a VETERANS PATH TO HOPE)

compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Transitional Living Services, Inc.'s (d/b/a Veterans Path to Hope) major federal programs for the year ended December 31, 2021. Transitional Living Services, Inc.'s (d/b/a Veterans Path to Hope) major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

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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 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 each major federal program as a whole.

In performing an audit in accordance with 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.

Report on Internal Control Over Compliance

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

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

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

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

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
April 15, 2022

TRANSITIONAL LIVING SERVICES, INC.
(d/b/a VETERANS PATH TO HOPE)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Contract Number	Dates of Program	Program or Award Amount	Revenue Recognized 1/1/21 to 12/31/21	Expenditures 1/1/21 to 12/31/21	Revenue Recognized Inception to 12/31/21	Expenditures Inception to 12/31/21
U.S. Department of Labor Passed Through: Assistant Secretary for Veteran's Employment and Training Services								
Homeless Veterans Reintegration Project	17.805	#HV-35325-20-60-5-17	07/01/20 - 06/30/21	\$ 283,957	\$ 130,712	\$ 130,712	\$ 283,957	\$ 283,957
Homeless Veterans Reintegration Project	17.805	#HV-35325-21-60-5-17	07/01/21 - 06/30/22	\$ 300,000	\$ 150,217	\$ 150,217	\$ 150,217	\$ 150,217
Total U.S. Department of Labor (CFDA "17")				\$ 583,957	\$ 280,929	\$ 280,929	\$ 434,174	\$ 434,174
U.S. Department of Veterans Affairs Passed Through: Federal Health Care Center								
Supportive Services for Veterans Families	64.033	#14-ZZ-308	10/01/20 - 09/30/21	\$ 365,636	\$ -	\$ -	\$ -	\$ -
Supportive Services for Veterans Families	64.033	#14-ZZ-308-CA2	12/01/20 - 12/31/21	377,333	344,384	344,384	377,333	377,333
Supportive Services for Veterans Families	64.033	#14-ZZ-308-CA3	10/01/21 - 06/30/22	592,036	110,984	110,984	110,984	110,984
Supportive Services for Veterans Families	64.033	#2014-ZZ-308SS	09/01/21 - 09/30/23	318,561	-	-	-	-
Supportive Services for Veterans Families	64.033	#14-ZZ-308	10/01/21 - 09/30/22	429,605	-	-	-	-
Subtotal CFDA "64.033"				\$ 2,083,171	\$ 455,368	\$ 455,368	\$ 488,317	\$ 488,317
Homeless Providers Grant and Per Diem Program (M)	64.024	#TLS1887-1425-556-PD-20	10/01/20 - 09/30/21	\$ 551,827	\$ 392,834	\$ 392,834	\$ 551,827	\$ 551,827
Homeless Providers Grant and Per Diem Program (M)	64.024	#TLS1887-1425-556-PD-21	10/01/21 - 09/30/22	151,934	151,934	151,934	151,934	151,934
Homeless Providers Grant and Per Diem Program-Capital Grant (M)	64.024	#TLS1887-2591-556-CG-22	10/01/21 - 09/30/24	271,500	-	-	-	-
Subtotal CFDA "64.024"				\$ 975,261	\$ 544,768	\$ 544,768	\$ 703,761	\$ 703,761
Total U.S. Department of Veterans Affairs (CFDA "64")				\$ 3,058,432	\$ 1,000,136	\$ 1,000,136	\$ 1,192,078	\$ 1,192,078
U.S. Department of Housing and Urban Development Passed Through: Special Needs Assessment Program								
Emergency Shelter Grants Program	14.231	#FCSAH05681	07/01/21 - 06/30/22	\$ 75,552	\$ 75,552	\$ 75,552	\$ 75,552	\$ 75,552
Emergency Shelter Grants Program	14.231	#FCSZH04785	07/01/20 - 06/30/21	35,612	35,612	35,612	35,612	35,612
Emergency Shelter Grants Program	14.231	#FCSZH05681	07/01/20 - 06/30/21	38,486	28,864	28,864	38,486	38,486
Emergency Shelter Grants Program	14.231	#FCSAH04785	07/01/21 - 06/30/22	27,719	12,794	12,794	12,794	12,794
Subtotal CFDA "14.231"				\$ 177,369	\$ 152,822	\$ 152,822	\$ 162,444	\$ 162,444
Continuum of Care	14.267	#IL1580L5T001902	07/01/20 - 06/30/21	\$ 69,037	\$ 69,037	\$ 69,037	\$ 76,928	\$ 76,928
Continuum of Care	14.267	#IL1580L5T002003	07/01/21 - 06/30/22	77,864	14,966	14,966	14,966	14,966
Continuum of Care	14.267	#IL1581L5T001902	10/01/20 - 09/30/21	58,789	42,591	42,591	48,229	48,229
Continuum of Care	14.267	#IL1581L5T002003	10/01/21 - 09/30/22	61,953	-	-	-	-
Subtotal CFDA "14.267"				\$ 275,534	\$ 126,594	\$ 126,594	\$ 140,123	\$ 140,123
HOME Investment Partnership Program	14.239	#M18-UC-17-0219	02/01/20 - 06/30/21	\$ 105,000	\$ 27,272	\$ 27,272	\$ 102,266	\$ 102,266
CDBG - Entitlement Cluster Grant	14.218	#B18-UC-17-007	04/01/20 - 03/31/21	\$ 33,000	\$ 25,847	\$ 25,847	\$ 33,000	\$ 33,000
Community Development Block Grant	14.218	#B18-UC-17-007	10/01/21 - 09/30/22	39,660	-	-	-	-
Total Cluster and Subtotal CFDA "14.218"				\$ 72,660	\$ 25,847	\$ 25,847	\$ 33,000	\$ 33,000
Total U.S. Department of Housing and Urban Development (CFDA "14")				\$ 630,563	\$ 332,535	\$ 332,535	\$ 437,833	\$ 437,833

TRANSITIONAL LIVING SERVICES, INC.
(d/b/a VETERANS PATH TO HOPE)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Contract Number	Dates of Program	Program or Award Amount	Revenue Recognized 1/1/21 to 12/31/21	Expenditures 1/1/21 to 12/31/21	Revenue Recognized Inception to 12/31/21	Expenditures Inception to 12/31/21
Corporation for National and Community Service								
Passed Through:								
Legacy Corps for Veterans and Military Families	94.006	#ASUB00000233	09/01/20 -08/31/21	\$ 118,544	\$ 65,583	\$ 65,583	\$ 100,574	\$ 100,574
AmeriCorps	94.006	#ASUB00000894	09/01/21 - 08/31/22	\$ 152,375	\$ 34,221	\$ 34,221	\$ 34,221	\$ 34,221
Total Corporation for National and Community Service (CFDA "94")				\$ 270,919	\$ 99,804	\$ 99,804	\$ 134,795	\$ 134,795
Total Federal Assistance				\$ 4,543,871	\$ 1,713,404	\$ 1,713,404	\$ 2,198,880	\$ 2,198,880

TRANSITIONAL LIVING SERVICES, INC.
(d/b/a VETERANS PATH TO HOPE)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2021

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal award activity of Transitional Living Services, Inc. (d/b/a Veterans Path to Hope) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, and used in the preparation of, the basic financial statements.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

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

NOTE 3 - INDIRECT COST RATE

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

NOTE 4 - SUBRECIPIENTS

The Organization did not provide federal awards to subrecipients during the year ended December 31, 2021.

NOTE 5 - FEDERAL LOANS

There were no federal loans or loan guarantees outstanding at year end.

NOTE 6 - DONATED PERSONAL PROTECTIVE EQUIPMENT (PPE) (UNAUDITED)

The Organization is the recipient of federally donated PPE. The fair market value of the PPE at the time of receipt was \$0.

TRANSITIONAL LIVING SERVICES, INC.
(d/b/a VETERANS PATH TO HOPE)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2021

1) Summary of auditor's results:

- a) The auditor's report expresses an unmodified opinion on whether the financial statements of Transitional Living Services, Inc. (d/b/a Veterans Path to Hope) were prepared in accordance with GAAP.
- b) No significant deficiencies are reported during the audit of the financial statements. No material weaknesses are reported.
- c) No instances of noncompliance material to the financial statements of Transitional Living Services, Inc. (d/b/a Veterans Path to Hope), which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- d) No significant deficiencies in internal control over major federal award programs are reported during the audit of the financial statements. No material weaknesses in internal control over major federal award programs are reported.
- e) The auditor's report on compliance for the major federal award programs for Transitional Living Services, Inc. (d/b/a Veterans Path to Hope) expresses an unmodified opinion on all major federal programs.
- f) There are no audit findings that are required to be reported in accordance with Uniform Guidance 2 CFR section 200.516(a).
- g) The program tested as a major program was: Homeless Providers Grant and Per Diem – CFDA #64.024.
- h) The threshold used for distinguishing between Type A and B programs was \$750,000.
- i) Transitional Living Services, Inc. (d/b/a Veterans Path to Hope) was determined to be a low-risk auditee.

2) There were no findings relating to the financial statements which are required to be reported.

3) There were no findings relating to federal awards which are required to be reported.

TRANSITIONAL LIVING SERVICES, INC.
(d/b/a VETERANS PATH TO HOPE)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

There were no current year financial statement findings.

TRANSITIONAL LIVING SERVICES, INC.
(d/b/a VETERANS PATH TO HOPE)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

There were no prior year financial statement findings.