

JHP, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2020 AND 2019

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Independent Auditor's Report

To the Board of Directors
JHP, Inc.
Washington, DC

We have audited the accompanying financial statements of JHP, Inc. a nonprofit organization, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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. 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 judgment, including the assessment of 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 JHP, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B to the financial statements, in 2020, JHP, Inc. adopted new accounting guidance, Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* and ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

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 (CFR) 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 taken as a whole.

Independent Auditor's Report
JHP, Inc.
Page Three

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2020, on our consideration of JHP, 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 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 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 JHP, Inc.'s internal control over financial reporting and compliance.

Jane Murrell & M^cQuade PA

September 2, 2020
Washington, DC

JHP, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 413,730	\$ 111,752
Grants and contributions receivable	471,510	434,765
Deposits	11,515	9,460
Total Current Assets	896,755	555,977
PROPERTY AND EQUIPMENT, NET	135,081	144,340
TOTAL ASSETS	\$ 1,031,836	\$ 700,317
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 82,098	\$ 133,896
Client payables	3,737	3,996
Line of credit	-	100,000
Mortgage note payable, current portion	10,134	9,617
Deferred rent, current portion	4,784	1,327
Total Current Liabilities	100,753	248,836
LONG TERM LIABILITIES		
Mortgage note payable, net of current portion	225,764	235,442
SBA PPP note payable	296,068	-
Deferred rent, net of current portion	31,917	36,702
Total Long Term Liabilities	553,749	272,144
Total Liabilities	654,502	520,980
NET ASSETS		
Without donor restrictions	377,334	179,337
TOTAL LIABILITIES AND NET ASSETS	\$ 1,031,836	\$ 700,317

The accompanying notes are an integral part of these financial statements.

JHP, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS		
Government grants - federal	\$ 1,055,507	\$ 929,413
Government grants - non-federal	2,007,858	1,333,131
Contributions	145,742	135,733
Client fees	11,397	13,736
Interest income and other income	278	183
In-kind contributions	265,000	180,000
Total Revenue and Support	3,485,782	2,592,196
EXPENSES		
Program Services:		
Resident shelters	1,860,022	2,105,146
Employment program	1,028,297	-
Homeless day shelters	-	302,739
Total Program Services	2,888,319	2,407,885
Support Services:		
Management and general	399,466	217,518
Total Expenses	3,287,785	2,625,403
CHANGE IN NET ASSETS	197,997	(33,207)
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Beginning of year,	179,337	212,544
End of year	\$ 377,334	\$ 179,337

The accompanying notes are an integral part of these financial statements.

JHP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Resident Shelters	Employment Program	Total Program Services	Management and General	Total
Personnel					
Salaries	\$ 1,132,803	\$ 393,782	\$ 1,526,585	\$ 225,986	\$ 1,752,571
Payroll taxes	106,491	37,018	143,509	21,244	164,753
Employee benefits	68,360	23,763	92,123	13,637	105,760
Total Personnel Expenses	<u>1,307,654</u>	<u>454,563</u>	<u>1,762,217</u>	<u>260,867</u>	<u>2,023,084</u>
Accounting	-	-	-	47,296	47,296
Advertising	194	-	194	95	289
Bank fees and finance charges	163	-	163	2,899	3,062
Client assistance	71,573	1,503	73,076	-	73,076
Consultants	6,429	8,542	14,971	20,888	35,859
Depreciation and amortization	10,564	3,672	14,236	2,108	16,344
Employment assistance	15	77,495	77,510	-	77,510
Housing assistance	223,133	-	223,133	-	223,133
In-kind contributions	106,000	159,000	265,000	-	265,000
Insurance	12,255	384	12,639	8,922	21,561
Interest	4,465	-	4,465	17,599	22,064
Meetings	4,987	804	5,791	4,972	10,763
Miscellaneous	102	-	102	2,281	2,383
Occupancy expenses	-	122,501	122,501	-	122,501
Office supplies and equipment	16,581	5,464	22,045	12,468	34,513
Phone and communications	31,407	4,087	35,494	11,313	46,807
Postage and delivery	436	578	1,014	412	1,426
Printing and copying	16,345	3,328	19,673	2,297	21,970
Repairs and maintenance	7,049	-	7,049	1,285	8,334
Transportation assistance	4,262	184,690	188,952	150	189,102
Utilities	36,408	1,686	38,094	3,614	41,708
TOTAL EXPENSES	<u>\$ 1,860,022</u>	<u>\$ 1,028,297</u>	<u>\$ 2,888,319</u>	<u>\$ 399,466</u>	<u>\$ 3,287,785</u>

The accompanying notes are an integral part of these financial statements.

JHP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Resident Shelters	Homeless Day Shelters	Total Program Services	Management and General	Total
Personnel					
Salaries	\$ 1,255,428	\$ 151,823	\$ 1,407,251	\$ 69,369	\$ 1,476,620
Payroll taxes	116,983	14,147	131,130	6,464	137,594
Employee benefits	113,372	13,710	127,082	6,265	133,347
Total Personnel Expenses	1,485,783	179,680	1,665,463	82,098	1,747,561
Accounting	-	-	-	36,417	36,417
Advertising	-	-	-	696	696
Bank fees and finance charges	-	-	-	3,711	3,711
Client assistance	71,963	150	72,113	(209)	71,904
Consultants	6,429	8,542	14,971	21,024	35,995
Depreciation and amortization	13,896	1,680	15,576	768	16,344
Dues and subscriptions	-	-	-	386	386
Employment assistance	7,563	-	7,563	7	7,570
Housing assistance	196,604	-	196,604	-	196,604
In-kind contributions	72,000	108,000	180,000	-	180,000
Insurance	4,221	966	5,187	9,141	14,328
Interest	13,107	-	13,107	3,580	16,687
Meetings	5,318	182	5,500	685	6,185
Miscellaneous	8,187	-	8,187	1,595	9,782
Occupancy expenses	58,269	-	58,269	3,083	61,352
Office supplies and equipment	29,261	324	29,585	26,821	56,406
Phone and communications	34,981	3,215	38,196	6,224	44,420
Postage and delivery	126	-	126	708	834
Printing and copying	3,441	-	3,441	6,871	10,312
Repairs and maintenance	5,968	-	5,968	3,603	9,571
Transportation assistance	41,180	-	41,180	-	41,180
Utilities	46,849	-	46,849	10,309	57,158
TOTAL EXPENSES	\$ 2,105,146	\$ 302,739	\$ 2,407,885	\$ 217,518	\$ 2,625,403

The accompanying notes are an integral part of these financial statements.

JHP, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 197,997	\$ (33,207)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	16,344	16,344
Amortization of deferred rent	(1,328)	38,029
Decrease (increase) in assets:		
Grants and contributions receivable	(36,745)	(215,655)
Deposits	(2,055)	(9,460)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(51,798)	51,097
Client payables	(259)	1,164
Net Cash Provided by (Used for) Operating Activities	<u>122,156</u>	<u>(151,688)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,085)	(9,715)
Net Cash Used for Investing Activities	<u>(7,085)</u>	<u>(9,715)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	296,068	-
Proceeds from line of credit	-	100,000
Payments on line of credit	(100,000)	-
Principal payments on mortgage note payable	(9,161)	(9,126)
Net Cash Provided by Financing Activities	<u>186,907</u>	<u>90,874</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	301,978	(70,529)
CASH AND CASH EQUIVALENTS, beginning of year	<u>111,752</u>	<u>182,281</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 413,730</u>	<u>\$ 111,752</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 22,064</u>	<u>\$ 16,687</u>

The accompanying notes are an integral part of these financial statements.

JHP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE A – NATURE OF ORGANIZATION

JHP, Inc. is a not-for-profit organization incorporated in August 1988 under the laws of the District of Columbia. The primary purpose of JHP, Inc. is to provide and manage job training programs, employment assistance, and housing assistance for homeless people, which will enable them to participate more fully and independently in the community. JHP, Inc. is guided by the belief that a steady paycheck is more than money - it is a source of self-esteem and the catalyst for changing lives. Because of this belief JHP, Inc. focuses on employment as a key component to helping the homeless rejoin mainstream society.

Program Services

Resident Shelters: JHP, Inc. operates two shelters in Prince George's County, Maryland, and one in Washington, DC. The shelters provide meals, assistance with clothing and household essentials, comprehensive case management, and wrap-around services in order to provide the residents with the tools they need to become self-sufficient. Adult residents participate in life skills, education, and employment classes, while children are provided with tutoring and enrichment activities. Each shelter houses a computer lab equipped with high speed internet and a business office for the use of residents. The shelters provided housing and services for the following during the years ended June 30, 2020 and 2019, this program helped 108 and 111 people, respectively, to get employment, and helped 185 and 181 people, respectively, to move into permanent housing.

Employment Day Centers (DC) (previously called the Homeless Day Shelters (DC)): JHP, Inc. operates an employment program in the lobby of one of DC's largest day shelters. At this location, JHP, Inc. links clients to the mainstream resources for which they may be eligible. JHP also operates a TANF employment program in SE DC that assists individuals who receive this benefit in obtaining employment to become self-sufficient to gradually decrease their need for financial government subsidies. Through these programs JHP offers life-skills, employment soft skills, and vocational training; computer and internet access and training; financial literacy education; housing placements and assistance; supportive services, and emergency financial aid. JHP, Inc. partners with a number of area employers and landlords to ensure that clients can secure employment and housing despite their backgrounds and/or current living situations. During the years ended June 30, 2020 and 2019, this program helped 135 and 68 people, respectively, to get employment; this program is not benchmarked for housing although this is a subsidiary service that can be provided.

JHP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(continued)

NOTE A – NATURE OF ORGANIZATION - continued

Program Services (continued)

Satellite Center (MD): JHP, Inc. operates an employment program in satellite centers throughout Prince George's County Maryland assisting consumers who receive Supplemental Nutrition Assistance Program funds in finding sustainable employment and who reside in substance abuse detoxification centers and homeless shelters, along with those who are referred to them from various outreach centers. JHP, Inc. offers life-skills, employment soft skills and vocational training, computer and internet access and training, financial literacy education, supportive services, emergency financial aid, and housing assistance. JHP, Inc. partners with a number of area employers to ensure that consumers can secure employment despite their backgrounds and/or current living situations. During the fiscal years ending June 30, 2020 and 2019, this program helped 12 and 37 individuals gain employment; this program is not benchmarked for housing although this is a subsidiary service that can be provided.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements were prepared using the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recorded as the obligations are incurred.

Adoption of New Accounting Pronouncement

For the year ended June 30, 2020, JHP, Inc. adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, as amended, which supersedes or replaces nearly all Generally Accepted Accounting Principles ("GAAP") revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. JHP, Inc. has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional.

JHP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Adoption of New Accounting Pronouncement (continued)

JHP, Inc. has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with JHP, Inc.'s implementation of ASU 2018-08.

Financial Statement Presentation

Financial statement presentation follows FASB Accounting Standards Codification ("ASC") Financial Statements of Not-For-Profit organizations. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of JHP, Inc. and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of JHP, Inc. and/or the passage of time or that must be maintained permanently by JHP, Inc. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Cash Equivalents

JHP, Inc. considers money market funds and investments purchased with an original maturity of three months or less to be cash equivalents. JHP, Inc.'s cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. JHP, Inc. believes it is not exposed to any significant credit risk on cash.

Grants and Contributions Receivable

Grants and contributions receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon its ongoing review of outstanding receivables, historical collection of information and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. As of June 30, 2020 and 2019, management has determined that all significant receivables are collectible within one year or less; therefore, no allowance for doubtful accounts has been established.

JHP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment

Property and equipment valued in excess of \$1,000 and with a useful life of more than one year is capitalized and recorded at cost. Donated property and equipment are recorded at estimated fair value. Building improvements are capitalized at cost and amortized over the remaining life of the asset. Repairs and maintenance are generally expensed. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	5 - 10 years
Building and improvements	20 - 40 years

Deferred Rent

Deferred rent represents rent abatement and increases in monthly rent payments over the term of the lease agreement. Rent expense is recognized on a straight-line basis over the term of the lease.

In-kind Contributions

JHP, Inc. recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services recorded for the years ended June 30, 2020 and 2019, included volunteer, clinical assessment, and mentoring services, and totaled \$265,000 and \$180,000, respectively.

Revenue Recognition

Revenue from government awards is treated as conditional grants, in which revenue is earned when eligible expenditures, as defined in each contract, are incurred. Funds received but not yet earned are recorded as deferred revenue. Allowable expenditures incurred for which reimbursements have not yet been received are recorded as grants receivable.

JHP, Inc. recognizes grants and contributions when cash, securities or other assets, an unconditional promise to give, or notification of a 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 have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support.

JHP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, office, and occupancy, salaries and related cost, which are allocated on the basis of time and effort.

NOTE C – INCOME TAXES

JHP, Inc. is recognized as exempt from federal income tax, except on unrelated business activities, under the provisions of Section 501(c)(3) of the Internal Revenue Code.

JHP, Inc. believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

JHP, Inc.'s information tax returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. JHP, Inc.'s Form 990 returns for the years ended June 30, 2016 through 2018, are open for examination by the Internal Revenue Service, although no such request has been made as of the date of these financial statements.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

JHP, Inc.'s primary sources of revenue are government grants and contributions from foundations. JHP, Inc. regularly monitors the liquidity required to meet its operating needs and other contractual commitments. JHP, Inc. strives to maintain liquid financial assets sufficient to cover general expenditures.

JHP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(continued)

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY - continued

In addition to financial assets available to meet general expenditures over the next twelve months, JHP, Inc. operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

JHP, Inc.'s financial assets available within one year of the balance sheet date for general expenditure are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash and cash equivalents	\$ 413,730	\$ 111,752
Grants and contributions receivable	471,510	434,765
Total Financial Assets	<u>885,240</u>	<u>546,517</u>
Financial Assets Available for General Expenditures		
Within One Year	<u>\$ 885,240</u>	<u>\$ 546,517</u>

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Building	\$ 169,962	\$ 169,962
Furniture and equipment	87,109	80,024
Building improvements	169,622	169,622
	<u>426,693</u>	<u>419,608</u>
Less: accumulated depreciation and amortization	291,612	275,268
Property and Equipment, Net	<u>\$ 135,081</u>	<u>\$ 144,340</u>

Depreciation and amortization expense totaled \$16,344 and \$16,344, for the years ended June 30, 2020 and 2019, respectively.

NOTE F – LINE OF CREDIT

On November 20, 2018, JHP, Inc. entered into a loan agreement with City First Bank of DC for a credit limit of \$100,000. The line of credit is secured by all assets of JHP, Inc., and matured on November 20, 2019. The line of credit bears a variable interest rate determined by the prime rate reflected in the Wall Street Journal plus 1.5% per annum. For the years ended June 30, 2020 and 2019, the interest rate was 5.25% and 6.75%, respectively.

JHP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(continued)

NOTE F – LINE OF CREDIT - continued

Interest expense for the years ended June 30, 2020 and 2019, totaled \$4,738 and \$3,580, respectively. As of June 30, 2020 and 2019, the outstanding principal balance was \$0 and \$100,000, respectively. This line of credit was completely paid off as of June 30, 2020 and was not renewed.

NOTE G – NOTES PAYABLE

On November 9, 2004, JHP, Inc. secured \$175,000 with the City First Bank of DC (the “Lender”) for a deed of trust mortgage. On October 12, 2012, JHP, Inc. refinanced this mortgage and included an additional principal amount of \$23,161. On February 2, 2016, JHP, Inc. refinanced this mortgage again and included an additional principal amount of \$89,090. This mortgage is secured by real property located at 1526 Pennsylvania Avenue, SE, Washington, DC. The mortgage is scheduled to mature on February 2, 2026. Principal and interest are payable monthly over 120 payments with a balloon payment of \$173,203 due at maturity. Interest accrues at a fixed rate of 5.25% per annum. The mortgage balance for the years ended June 30, 2020 and 2019, totaled \$235,898 and \$245,059 respectively

Mortgage interest expense for the years ended June 30, 2020 and 2019, totaled \$13,073 and \$13,107, respectively.

On April 30, 2020, JHP, Inc. secured \$296,068 with the City First Bank of D.C., N.A. (the “Lender”) under the Small Business Administration’s Paycheck Protection Plan (“PPP”) that authorized forgivable loans to small businesses. This loan can be used to cover certain expenses during the COVID-19 crisis. The loan amounts will be forgiven as long as the loan proceeds are used to cover payroll costs, rent, certain mortgage interest and utility costs over a period specified in the loan document after the loan is made. If not used for the purpose above, the loan is due on April 30, 2022 along with interest calculated at the rate of 1% per annum starting November 30, 2020. The PPP loan balance for the year ended June 30, 2020, totaled \$296,368.

Future principal payments are due as follows for the years ended June 30:

2021	\$ 10,134
2022	306,747
2023	11,253
2024	11,858
2025	12,496
Thereafter	<u>179,478</u>
Total	<u>\$ 531,966</u>

JHP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(continued)

NOTE H – LEASE COMMITMENTS

On December 31, 2018, JHP, Inc. signed a new lease for space at 810 Potomac Avenue, Washington, DC. Monthly rental payments under this lease are \$9,460 with a 3% annual increase beginning with the second year of the lease. The landlord has granted an abatement of rent for four months, beginning January 15, 2019 through April 30, 2019, which is being recognized as rent expense over a period of 64 months, the term of the lease.

Future rental payments are due as follows for the years ending June 30:

2021	\$	118,682
2022		122,242
2023		125,909
2024		106,475
Total	\$	<u>473,308</u>

Occupancy expense for the years ended June 30, 2020 and 2019 totaled \$122,501, and \$61,352, respectively, including \$38,029 of deferred rent for the year ended June 30, 2019.

NOTE I – CONCENTRATION OF RISK

JHP, Inc. received approximately 88% and 87% of its revenue from federal and other government grants for the years ended June 30, 2020 and 2019, respectively.

NOTE J – CONTINGENCIES

JHP, Inc. operates programs funded by grants that are renewed annually depending on the availability of funds and JHP, Inc.'s compliance with the requirements of the grants and contracts. Therefore, annual funding under these grants is not guaranteed. JHP, Inc. is also subject to an audit by its funding sources. Accordingly, all costs charged to federal and state grants are subject to verification.

NOTE K – RETIREMENT PLAN

JHP, Inc. sponsors a Section 403(b) Elective Deferral Only, retirement plan for the benefit of its employees (the "Plan"). Employees may contribute to the Plan through elective salary deferrals and are eligible immediately upon beginning employment. Contributions to the Plan are tax deferred. JHP, Inc. did not make any contributions to the Plan for the years ending June 30, 2020 and 2019.

JHP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(continued)

NOTE L – SUBSEQUENT EVENTS

In preparing these financial statements, JHP, Inc.'s management has evaluated events and transactions for potential recognition or disclosure through September 2, 2020, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.



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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
JHP, Inc.
Washington, DC

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 JHP, Inc., which comprise the statements 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, and have issued our report thereon dated September 2, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered JHP, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose for expressing an opinion on the effectiveness of JHP, Inc. internal control. Accordingly, we do not express an opinion on the effectiveness of JHP, Inc.'s internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
JHP, Inc.
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether JHP, Inc.'s financial statements are free of 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 and 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jane Maxwell & M. Deane PA

September 2, 2020
Washington, DC



**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
JHP, Inc.
Washington, DC

Report on Compliance for Each Major Federal Program

We have audited JHP, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of JHP, Inc.'s major federal programs for the year ended June 30, 2020. JHP, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of JHP, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about JHP, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of JHP, Inc.'s compliance.

To the Board of Directors
JHP, Inc.
Page Two

Opinion on Each Major Federal program

In our opinion, JHP, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of JHP, Inc. is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit, we considered JHP, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of JHP, Inc.'s 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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.

To the Board of Directors
JHP, Inc.
Page Three

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.

Jane Murray & M^AQuade PA

September 2, 2020
Washington, D.C.

JHP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor	Pass-through Identification number	Federal Expenditures(\$)
Department of Homeland Security				
Emergency Food and Shelter National Board Program	97.024	PG county Department of Social Services	NA	\$ 36,947
Total Department of Homeland Security				<u>36,947</u>
Department of Health and Human Services				
Temporary Assistance for Needy Families	93.558	Community Partnership for the Prevention of Homelessness	18-19-JHP-NAYL	536,551
Total Department of Health and Human Services				<u>536,551</u>
Department of Housing and Urban Development				
Supportive Housing Program	14.235	Direct		260,610
Supportive Housing Program	14.235	Prince Georges County Department of Social Services	NA	221,399
Total Supportive Housing Program				<u>482,009</u>
Total Department of Housing and Urban Development				<u>482,009</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 1,055,507</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule

JHP, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of JHP, Inc. under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

NOTE B – SUMMARY OF SIGNIFICANT 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 expenses are not allowable or are limited as to reimbursement. The Organization elected to use the 10 percent de minimus indirect cost rate. Pass-through amounts, programs, agencies, and entity identifying numbers are presented where available.

JHP INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weakness?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Major program

Name of Federal Program:	Temporary Assistance for Needy Families
CFDA Number	93.558
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

JHP INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020
(continued)

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS

None noted

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None noted

SECTION IV – SCHEDULE OF PRIOR AUDIT FINDINGS

None noted