

HOUSING + SOLUTIONS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

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JUNE 30, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Housing + Solutions, Inc.

We have audited the accompanying consolidated financial statements of Housing + Solutions, Inc. and subsidiary, which comprise the consolidated statement of financial position as of June 30, 2018 and the related consolidated statements of net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 these consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Housing + Solutions, Inc. and subsidiary as of June 30, 2018, and the changes in net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, consisting of several loops and strokes, positioned to the right of the opinion text.

March 25, 2019

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Cash and cash equivalents	\$ 570,608
Tenant receivables, net of an allowance of \$68,000	27,290
Government grants	595,932
Contributions receivable	30,947
Property and equipment, net of accumulated depreciation of \$292,388	348,822
Security deposits and other assets	<u>283,809</u>
Total assets	<u>\$ 1,857,408</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 181,329
Loan payable	76,600
Deferred revenue	162,932
Security deposits payable	<u>36,536</u>
Total liabilities	<u>457,397</u>

Net Assets

Unrestricted	1,352,511
Temporarily restricted	<u>47,500</u>
Total net assets	<u>1,400,011</u>
Total liabilities and net assets	<u>\$ 1,857,408</u>

See accompanying auditors' report and notes to financial statements.

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Contributions	\$ 539,042	\$ 47,500	\$ 586,542
Government grants	4,015,911		4,015,911
Tenant rentals	572,857		572,857
In kind contributions	155,860		155,860
Other	3,465		3,465
Restrictions released	<u>17,629</u>	<u>(17,629)</u>	<u>-</u>
Total revenues	<u>5,304,764</u>	<u>29,871</u>	<u>5,334,635</u>
Expenses			
Program services	4,310,664		4,310,664
Supporting services			
Management and general	479,047		479,047
Fundraising	<u>419,420</u>		<u>419,420</u>
Total expense	<u>5,209,131</u>	<u>-</u>	<u>5,209,131</u>
Increase in net assets	95,633	29,871	125,504
Net assets – beginning	<u>1,256,878</u>	<u>17,629</u>	<u>1,274,507</u>
Net Assets – end	<u>\$ 1,352,511</u>	<u>\$ 47,500</u>	<u>\$ 1,400,011</u>

See accompanying auditors' report and notes to financial statements.

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and payroll expenses	\$1,169,729	\$ 331,489	\$ 293,692	\$ 1,794,910
Rent	2,285,917	30,093	4,895	2,320,905
Utilities	163,780	5,855	2,852	172,487
Repairs and maintenance	152,556	2,114	550	155,220
Furnishings	76,184	-	-	76,184
Tenant services	45,781	-	-	45,781
Information technology	98,079	10,546	9,789	118,414
Development and public awareness	-	-	37,788	37,788
Staff expenses	20,398	7,124	2,165	29,687
Professional services	29,950	61,124	50,486	141,560
In kind services	25,626	-	129,973	155,599
Depreciation	16,773	-	-	16,773
Bad debts	65,584	-	-	65,584
Office expenses	<u>35,432</u>	<u>36,250</u>	<u>6,565</u>	<u>78,247</u>
Total expenses	<u>\$4,310,672</u>	<u>\$ 479,047</u>	<u>\$ 419,420</u>	<u>\$ 5,209,139</u>

See accompanying auditors' report and notes to financial statements.

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

Cash flows from operating activities	
Change in net assets	\$ 125,504
Adjustment of change in net assets to net cash used in operations	
Depreciation	16,773
Allowance for doubtful accounts	33,000
Change in operating assets	
Increase in tenant receivables	(24,022)
Increase in government grants	(138,442)
Increase in pledge receivable	(30,947)
Increase in other expenses	(113,112)
Change in operating liabilities	
Increase in deferred revenue	(233,386)
Decrease in accounts payable and accrued expenses	<u>132,043</u>
Cash flows used in operating activities	<u>(232,589)</u>
 Cash flows from financing activities	
Decrease line of credit	(50,000)
Increase in loan payable	76,600
Increase in security deposits payable	<u>2,129</u>
Cash flows provided by financing activities	<u>28,729</u>
 Net decrease cash and cash equivalents	(203,860)
 Cash and cash equivalents, beginning	<u>774,468</u>
 Cash and cash equivalents, end	<u><u>\$ 570,608</u></u>

See accompanying auditors' report and notes to financial statements.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 – Summary of Significant Accounting Policies

Organization and Nature of Operations

Housing + Solutions, Inc. (“Housing”) is a not for profit organization with the primary purpose to provide innovative, safe and affordable transitional and/or permanent housing for women with a chronic history of homelessness, women in recovery from substance abuse and/or mental illness and women who may have criminal justice histories. Housing expanded its housing programs to include housing for female veterans. Each woman and her family are offered resources to achieve housing stability, recovery, family reunification and employment. Housing provides a rental subsidy to each tenant and then offers them counseling and other support services needed to find work.

Housing’s support is derived primarily from the United States Department of Housing and Urban Development (“HUD”) and other government grants which subsidize the rent paid by tenants. Government grants paid in advance are deferred and are recognized as the service is rendered. In addition, Housing receives contributions from individuals, foundations and corporations.

During fiscal 2013, 113 Grandview LLC, (“113”) was formed under the laws of the State of New York for the purpose of acquiring and owning the premises at 113 Grandview Avenue, Staten Island, New York. Housing is the sole member of 113 which rents apartments to Housing to be used for transitional and/or permanent housing. During fiscal 2013, the property located at 113 Grandview Avenue was donated to Housing having a fair value of \$415,000.

The Organization is exempt from federal income taxes under Section 501(c)(3) of Internal Revenue Code.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting.

The financial statement presentation is in compliance with professional standards, “Financial Statements of Not-For-Profit Organizations. Under such standard, Housing is required to report information regarding its financial position and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Housing and 113 where Housing is the sole member of 113. All significant intercompany transactions and balances have been eliminated in consolidation.

Contributions

Housing reports gifts of cash and other assets to be available for unrestricted use unless received with donor stipulations designating them for future periods or that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restricted is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

Cash equivalents include highly liquid debt instruments purchased with original maturities of three months or less.

Housing maintains cash in bank accounts which, at times, may exceed federally-insured limits. Housing has not experienced any losses in such amounts.

Property and Equipment

Property, equipment and leasehold improvements are recorded at cost and depreciated on the straight-line basis over their estimated useful lives of 5 to 30 years on the related asset. Expenditure for maintenance and repairs are charged to operations as incurred. Significant renovations or betterments which extend the useful life of the assets are capitalized. Housing policy is to capitalize additions to property and equipment in excess of \$1,000.

Pledge Receivables

Contributions are recognized when donors make an unconditional promise to give to the organization. Housing uses the allowance method to discount the estimate of uncollectible pledges receivables. All pledge receivables are due within the current year, therefore, no discount is required.

Tenants Receivable

Tenants receivable is recorded at original invoice amount, less an estimated allowance for doubtful accounts. Accounts receivable is generally extended on a short-term basis, thus the receivables do not bear interest. Tenants receivable are periodically evaluated for collectibility based on past experiences. Changes in the estimated collectibility of accounts receivables are recorded in the results of operations. Housing generally does not require collateral.

Donated Services and Property

Donated services, which require specific expertise, are recorded as revenue and expense at their estimated fair value at the date of receipt.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 2 – Property and Equipment

Property and equipment consist of the following:

Land	\$	83,000
Building		332,000
Leasehold improvement		55,508
Office equipment		10,891
Furniture and housing equipment		<u>159,811</u>
		641,210
Accumulated depreciation		<u>(292,388)</u>
Total		<u>\$ 344,822</u>

Note 3 – Line of Credit

Housing has a \$150,000 line of credit with a bank. Interest is at the Wall Street Journal Prime Rate plus 1.0% and the line has a maturity date of February 10, 2018. The line of credit has been extended through May 11, 2019 with similar terms. The line of credit is secured by Housing’s assets. In addition, the line of credit requires Housing to fully repay the line of credit for a period of 30 consecutive days. Interest paid for the years ended June 30, 2018 and 2017, was \$6,559 and \$2,516, respectively.

Note 4 – Operating Leases

Housing leases operational housing facilities under non-cancelable leases which expire at various times through 2025.

In December 2017, Housing executed a six month lease agreement for Housing’s office space which matured April 30, 2018 with an annual rent of \$100,800. During 2018, the lease was extended on a month-to-month basis. For the year ended June 30, 2018, rent expense and other rental expenses amounted to approximately \$2,209,000.

Minimum lease payments for the next 5 years are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2019	\$ 1,485,000
2020	301,000
2021	242,000
2022	208,000
2023	188,000

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Note 5 – Loan Payable

As part of a City of New York (“City”) contract to provide transitional housing for women, another not-for-profit organization provided Housing with a loan to start up the program. The loan totaled \$131,833, is not interest bearing was to be re-paid by December 31, 2018 by recoupment of monies paid by the City to Housing. As of June 30, 2018, the amount pending recoupment is \$76,600.

Note 6 – Uncertain Tax Positions

Accounting principles generally accepted in the United States of America require the Housing’s management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken and has concluded that as of June 30, 2018 there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Housing is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Housing believes it is no longer subject to income tax examinations for years prior to 2015.

Note 7 – Current Vulnerability Due To Certain Concentrations

A significant portion of Housings revenue is derived from HUD and state agencies subsidies. Because of this, Housing operates in a heavily regulated environment. The operations of Housing are subject to the administrative directives, rules and regulations of federal regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD or state agencies. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change and will have a severe affect on operations.

Note 8 – Pension Plan

Housing maintains a 403(B) deferred compensation plan covering substantially all employees. Eligible participants may elect to contribute a percentage of their annual gross salaries. The provisions of the plan calls for Housing to matching contribution. For the year ended June 30, 2018, Housing contribution amounted to \$13,501.

Note 9 – Subsequent Events

Housing has evaluated subsequent events through March 25, 2019, the date of the financial statements were available for issuance.