

HOUSING + SOLUTIONS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

HOUSING + SOLUTIONS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

TABLE OF CONTENTS

	Page(s)
Independent Auditors' Report	1-2
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-12

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Officers of
Housing + Solutions, Inc.

We have audited the accompanying consolidated financial statement Housing + Solutions, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, 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. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2K to the consolidated financial statements, Housing + Solutions, Inc. had adopted Financial Accounting Standards Board ASU 2016-14, Not-for-Profit Entities (Topic 58) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink, appearing to be 'L. G. P.', is written over the text of the 'Change in Accounting Principle' section.

December 30, 2019

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS:

Cash and cash equivalents	\$	177,876
Accounts receivable, net		1,137,884
Property and equipment, net		335,115
Security deposits and other assets		<u>259,592</u>
TOTAL ASSETS	\$	<u><u>1,910,467</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable and accrued expenses	\$	180,115
Line of credit		100,773
Due to other organization		147,637
Security deposits payable		<u>43,145</u>
TOTAL LIABILITIES		<u>471,670</u>

NET ASSETS:

Without donor restrictions		1,163,797
With donor restrictions		<u>275,000</u>
TOTAL NET ASSETS		<u>1,438,797</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>1,910,467</u></u>

See independent auditors' report and notes to consolidated financial statements.

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
OPERATING ACTIVITIES:			
REVENUES AND OTHER SUPPORT:			
Contributions	\$ 602,793	\$ 425,000	\$ 1,027,793
Government grants	4,182,655	-	4,182,655
Tenant rentals	671,245	-	671,245
In-kind contributions	224,021	-	224,021
Other	29,193	-	29,193
Net assets released from restrictions	197,500	(197,500)	-
	<u>5,907,407</u>	<u>227,500</u>	<u>6,134,907</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>5,907,407</u>	<u>227,500</u>	<u>6,134,907</u>
EXPENSES:			
Program services	4,936,190	-	4,936,190
Supporting services			
Management and general	691,081	-	691,081
Fundraising	467,325	-	467,325
	<u>6,094,596</u>	<u>-</u>	<u>6,094,596</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(187,189)	227,500	40,311
NET ASSETS:			
Beginning of year	<u>1,350,986</u>	<u>47,500</u>	<u>1,398,486</u>
End of year	<u>\$ 1,163,797</u>	<u>\$ 275,000</u>	<u>\$ 1,438,797</u>

See independent auditors' report and notes to consolidated financial statements.

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
EXPENSES				
Salaries and related expenses	\$ 1,223,973	\$ 514,125	\$ 234,318	\$ 1,972,416
Rent and occupancy	2,844,588	38,149	3,466	2,886,203
Utilities	211,014	6,672	2,304	219,990
Repairs and maintenance	91,199	5,566	75	96,840
Furnishings	71,072	-	-	71,072
Tenant services	53,965	-	-	53,965
Office expense	22,277	20,686	10,314	53,277
Information technology	55,983	35,351	7,209	98,543
Development and public awareness	-	-	62,777	62,777
Staff expenses	29,195	11,975	5,226	46,396
Professional services and interns	115,394	15,997	103,633	235,024
In-kind services	143,458	42,560	38,003	224,021
Depreciation	12,072	-	-	12,072
Bad debts	62,000	-	-	62,000
TOTAL EXPENSES	<u>\$ 4,936,190</u>	<u>\$ 691,081</u>	<u>\$ 467,325</u>	<u>\$ 6,094,596</u>

See independent auditors' report and notes to consolidated financial statements.

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 40,311
----------------------	-----------

Adjustments to reconcile change in net assets to net cash from operating activities:

Depreciation and amortization	12,072
-------------------------------	--------

(Increase) decrease in:

Accounts receivable	(483,715)
---------------------	-----------

Security deposits and other assets	24,217
------------------------------------	--------

Increase (decrease) in:

Accounts payable and accrued expenses	(1,104)
---------------------------------------	---------

Deferred income	(162,932)
-----------------	-----------

Security deposits payable	6,609
---------------------------	-------

TOTAL ADJUSTMENTS	(604,853)
--------------------------	------------------

NET CASH USED IN OPERATING ACTIVITIES	(564,542)
--	------------------

CASH FLOWS FROM FINANCING ACTIVITIES:

Revolving line of credit, net	100,773
-------------------------------	---------

Proceeds (repayment) to other organization, net	71,037
---	--------

NET CASH PROVIDED BY FINANCING ACTIVITIES	171,810
--	----------------

NET CHANGE IN CASH AND CASH EQUIVALENTS	(392,732)
--	------------------

CASH AND CASH EQUIVALENTS:

Beginning of year	570,608
-------------------	---------

End of year	\$ 177,876
-------------	------------

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. ORGANIZATION AND BASIS OF ACCOUNTING AND PRESENTATION

A. ORGANIZATION

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.

B. BASIS OF ACCOUNTING

The consolidated financial statements of Housing have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

C. BASIS OF PRESENTATION AND CONSOLIDATION

The consolidated financial statements of Housing + Solutions, Inc. have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Housing + Solutions, Inc. to report information regarding its financial position and activities according to the following net asset classifications:

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 Housing + Solutions, Inc.'s management and the board of directors.

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 Housing + Solutions, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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 statements of activities.

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.

See independent auditors' report.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. ORGANIZATION AND BASIS OF ACCOUNTING AND PRESENTATION (continued)

D. MEASUREMENT OF OPERATIONS

The consolidated statement of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Housing + Solutions, Inc.'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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. CASH AND CASH EQUIVALENTS

Housing considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

B. PLEDGE RECEIVABLE

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.

C. 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 collectability based on past experiences. Changes in the estimated collectability of accounts receivables are recorded in the results of operations. Housing generally does not require collateral.

D. 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.

E. CONTRIBUTIONS

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

See independent auditors' report.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. **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.

G. **REVENUE**

Housing records revenues using the accrual basis of accounting. The majority of Housing's total revenue and other support were derived from several governmental agencies. As of June 30, 2019, substantially all Housing's receivables were derived from the same governmental agencies.

H. **USE OF ESTIMATES**

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

I. **FUNCTIONAL EXPENSES**

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Expenses which are easily and directly associated with a particular program or supporting service are charged directly to that functional area. Certain other expenses have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and related expenses	Time and effort
Rent and occupancy	Actual or square footage
Utilities	Actual or square footage
Other	Time and effort, full time equivalent, square footage or actual

J. **INCOME TAXES**

Housing is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and comparable New York State law. Contributions to it are tax deductible within the limitations prescribed by the code.

Housing' Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2019, 2018, 2017 and 2016 are subject to examination by the IRS, generally for 3 years after they were filed. The Organization has concluded that there are no material uncertain tax liabilities to be recognized at this time.

K. **NEW ACCOUNTING PRONOUNCEMENT**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Housing + Solutions, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

See independent auditors' report.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents Housing + Solutions, Inc.'s financial assets at June 30, 2019:

Financial assets at year end:

Cash and cash equivalents	\$	177,876
Accounts receivable, net		1,137,884
Total financial assets		<u>1,315,760</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions		<u>175,000</u>
------------------------------------	--	----------------

Financial assets available to meet general expenditures
over the next twelve months

\$ 1,140,760

Housing's goal is generally to maintain financial assets to meet the general operating expenses.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 consisted of the following:

Land	\$	83,000
Building		332,000
Leasehold improvements		55,508
Office equipment		10,891
Furniture and housing equipment		<u>158,176</u>
		639,575
Less: Accumulated depreciation		<u>(304,460)</u>
Property and equipment (net)	\$	<u>335,115</u>

NOTE 5. WORKING 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% (6.5% at June 30, 2019) and the line has a maturity date of May 11, 2019. The line of credit has been extended through February, 28, 2020 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. At June 30, 2019, the outstanding amount was \$100,773. The interest paid for the year ended June 30, 2019 was \$4,744, which is included with office expenses.

See independent auditors' report.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6. NET ASSETS

Net assets with donor restrictions were as follows for the year ended June 30, 2019

Specific purpose:

Time restriction	\$ 200,000
Purpose restriction	<u>75,000</u>
	<u>\$ 275,000</u>

Net assets without donor restrictions for the year ended June 30, 2019 are as follows:

Undesignated	<u>\$ 1,163,797</u>
--------------	---------------------

Net assets released from net assets with donor restrictions are as follows:

Satisfaction for purpose restrictions	<u>\$ 197,500</u>
---------------------------------------	-------------------

NOTE 7. 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, 2019, rent expense and other rental expenses amounted to approximately \$2,761,000.

Future minimum lease payments under these operating leases are as follows:

<u>June 30,</u>	
2020	\$ 1,896,000
2021	907,000
2022	507,000
2023	451,000
2024	<u>126,000</u>
	<u>\$ 3,887,000</u>

See independent auditors' report.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. DUE TO OTHER ORGANIZATION

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 noninterest 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, which was fully paid in fiscal 2019.

Women's Community Justice Association ("WCJA") was established in April 2018 to engage in criminal justice reform activities and programming aimed at (a) reducing the number of incarcerations of women, (b) furthering the long term stability of vulnerable female populations currently or historically involved in the criminal justice system, and (c) supporting broader criminal justice reform efforts. Housing entered into an agreement in January 2019 to serve as WCJA's fiscal sponsor. Under such agreement, Housing receives and administer funds for WCJA, provides accounting and administrative support at a fee of 10% of its funds or such amount as authorized in applicable grant agreements. For the fiscal year ended June 30, 2019, the administrative fee received from WCJA was \$12,033, which is included in the other revenue. As of June 30, 2019, the balance still due to WCJA totaled \$147,637.

NOTE 9. 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, 2019 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 2016.

NOTE 10. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATION

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 effect on operations.

NOTE 11. 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 call for Housing to matching contribution. For the year ended June 30, 2019, Housing contribution amounted to \$6,255.

NOTE 12. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions that occurred through December 30, 2019, which is the date the consolidated financial statements were available to be issued, for possible disclosure and recognition in the consolidated financial statements.

See independent auditors' report.