

HOUSING + SOLUTIONS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Housing + Solutions, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2021, 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, 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 States of America.

Other Matters

The consolidated financial statements of Housing + Solutions, Inc. as of June 30, 2020 were audited by other auditors whose report dated March 2, 2021, expressed an unmodified opinion on those consolidated financial statements.

Satty, Levine & Ciacco CPAs PC

Satty, Levine & Ciacco, CPAs, P.C.

Melville, New York

January 11, 2022

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS:		
Cash and cash equivalents	\$ 701,592	\$ 306,501
Accounts receivable, net	1,692,478	1,998,684
Property and equipment, net	364,298	389,959
Security deposits and other assets	284,605	276,850
	<u>3,042,973</u>	<u>2,971,994</u>
TOTAL ASSETS	<u>\$ 3,042,973</u>	<u>\$ 2,971,994</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 215,169	\$ 315,332
Deferred income	-	148,868
Line of credit	99,099	50,723
Due to other organization	92,106	110,730
Refundable advances	338,377	-
Security deposits payable	44,988	44,514
Paycheck protection program loan	-	486,140
Loans payable	1,034,080	666,528
	<u>1,823,819</u>	<u>1,822,835</u>
TOTAL LIABILITIES	<u>1,823,819</u>	<u>1,822,835</u>
 NET ASSETS:		
Without donor restrictions	984,154	974,159
With donor restrictions	235,000	175,000
	<u>1,219,154</u>	<u>1,149,159</u>
TOTAL NET ASSETS	<u>1,219,154</u>	<u>1,149,159</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,042,973</u>	<u>\$ 2,971,994</u>

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

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL 2021</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL 2020</u>
OPERATING ACTIVITIES:						
REVENUES AND OTHER SUPPORT:						
Contributions	\$ 1,119,175	\$ 310,000	\$ 1,429,175	\$ 709,920	\$ 225,000	\$ 934,920
Government grants	5,817,596	-	5,817,596	4,871,482	-	4,871,482
Tenant rentals	620,248	-	620,248	694,084	-	694,084
In-kind contributions	150,828	-	150,828	224,538	-	224,538
Other	51,279	-	51,279	53,587	-	53,587
Net assets released from restrictions	250,000	(250,000)	-	325,000	(325,000)	-
	<u>8,009,126</u>	<u>60,000</u>	<u>8,069,126</u>	<u>6,878,611</u>	<u>(100,000)</u>	<u>6,778,611</u>
EXPENSES:						
Program services	7,382,352	-	7,382,352	5,850,957	-	5,850,957
Supporting services						
Management and general	538,392	-	538,392	889,355	-	889,355
Fundraising	497,513	-	497,513	327,937	-	327,937
	<u>8,418,257</u>	<u>-</u>	<u>8,418,257</u>	<u>7,068,249</u>	<u>-</u>	<u>7,068,249</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(409,131)	60,000	(349,131)	(189,638)	(100,000)	(289,638)
NONOPERATING ACTIVITIES:						
SBA PPP loan forgiveness	419,126	-	419,126	-	-	-
CHANGE IN NET ASSETS	9,995	60,000	69,995	(189,638)	(100,000)	(289,638)
NET ASSETS:						
Beginning of year	974,159	175,000	1,149,159	1,163,797	275,000	1,438,797
End of year	<u>\$ 984,154</u>	<u>\$ 235,000</u>	<u>\$ 1,219,154</u>	<u>\$ 974,159</u>	<u>\$ 175,000</u>	<u>\$ 1,149,159</u>

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

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
EXPENSES				
Salaries and related expenses	\$ 2,814,165	\$ 325,412	\$ 245,091	\$ 3,384,668
Rent and occupancy	3,571,497	35,177	7,178	3,613,852
Utilities	253,118	8,924	2,588	264,630
Repairs and maintenance	104,688	152	-	104,840
Furnishings	25,215	-	-	25,215
Tenant services	80,776	-	-	80,776
Office expense	1,263	45,377	7,183	53,823
Information technology	141,713	-	6,463	148,176
Development and public awareness	2,739	1,352	47,157	51,248
Staff expenses	19,146	7,606	2,088	28,840
Professional services and interns	68,797	98,310	118,155	285,262
In-kind services	93,661	-	57,167	150,828
Depreciation	20,288	7,059	-	27,347
Other	61,750	9,023	4,443	75,216
Bad debts	123,536	-	-	123,536
TOTAL EXPENSES	<u>\$ 7,382,352</u>	<u>\$ 538,392</u>	<u>\$ 497,513</u>	<u>\$ 8,418,257</u>

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

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
EXPENSES				
Salaries and related expenses	\$ 1,796,564	\$ 494,802	\$ 206,248	\$ 2,497,614
Rent and occupancy	2,929,396	96,705	9,537	3,035,638
Utilities	206,144	7,071	2,361	215,576
Repairs and maintenance	60,128	64,195	50	124,373
Furnishings	36,697	-	-	36,697
Tenant services	75,553	2,820	902	79,275
Office expense	24,591	8,286	2,160	35,037
Information technology	93,262	16,637	10,298	120,197
Development and public awareness	75	762	20,206	21,043
Staff expenses	46,001	5,281	4,558	55,840
Professional services and interns	296,414	92,739	69,819	458,972
In-kind services	137,664	86,874	-	224,538
Depreciation	3,260	12,256	513	16,029
Other	4,908	927	1,285	7,120
Bad debts	140,300	-	-	140,300
TOTAL EXPENSES	\$ 5,850,957	\$ 889,355	\$ 327,937	\$ 7,068,249

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

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 69,995	\$ (289,638)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	27,347	16,029
Forgiveness of paycheck protection program loan	(486,140)	-
Allowance for doubtful accounts	133,536	150,300
(Increase) decrease in:		
Accounts receivable	172,670	(1,011,100)
Security deposits and other assets	(7,755)	(17,258)
Increase (decrease) in:		
Accounts payable and accrued expenses	(100,163)	135,217
Deferred income	(148,868)	148,868
Refundable advances	338,377	-
Security deposits payable	474	1,369
TOTAL ADJUSTMENTS	<u>(70,522)</u>	<u>(576,575)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(527)</u>	<u>(866,213)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,686)	(70,873)
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,686)</u>	<u>(70,873)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Revolving line of credit, net	48,376	(50,050)
Proceeds from paycheck protection program loan	-	486,140
Proceeds from loans payable	367,552	666,528
Proceeds (repayment) to other organization, net	(18,624)	(36,907)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>397,304</u>	<u>1,065,711</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>395,091</u>	<u>128,625</u>
CASH AND CASH EQUIVALENTS:		
Beginning of year	306,501	177,876
End of year	<u>\$ 701,592</u>	<u>\$ 306,501</u>

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

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 of providing 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.

Rent subsidies are provided for tenants via Housing's various government contracts; tenants are also offered case management and other social service supports to help them achieve and maintain housing, financial and family stability. 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 year 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 year 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.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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. PLEDGES 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 receivable. All pledges receivable is 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 receivable 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's policy is to capitalize additions to property and equipment in excess of \$1,000.

E. REVENUE RECOGNITION

Housing recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a 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 met.

The federal and state grants and contracts are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Housing has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. **DONATED PROPERTY AND EQUIPMENT**

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.

G. **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.

H. **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

I. **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, 2021, 2020, 2019 and 2018 are subject to examination by the IRS, generally for 3 years after they were filed. Housing has concluded that there are no material uncertain tax liabilities to be recognized at this time.

J. **RECLASSIFICATIONS:**

Certain items in the 2020 financial statements have been reclassified to conform to 2021 presentation.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents Housing + Solutions, Inc.'s financial assets at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 701,592	\$ 306,501
Accounts receivable, net	1,692,478	1,998,684
Total financial assets	<u>2,394,070</u>	<u>2,305,185</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>235,000</u>	<u>175,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,159,070</u>	<u>\$ 2,130,185</u>

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, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 83,000	\$ 83,000
Building	332,000	332,000
Leasehold improvements	14,866	68,689
Office equipment	23,140	34,081
Furniture and housing equipment	<u>123,919</u>	<u>136,845</u>
	576,925	654,615
Less: Accumulated depreciation	<u>(212,627)</u>	<u>(264,656)</u>
Property and equipment (net)	<u>\$ 364,298</u>	<u>\$ 389,959</u>

NOTE 5. WORKING LINE OF CREDIT

Housing has a working line of credit of \$250,000, with a bank at June 30, 2021 and 2020. Interest is at the Wall Street Journal Prime Rate plus 1.0% for both years. The line had a maturity date of February 28, 2021 and has been extended through February 28, 2022 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, 2021 and 2020, the outstanding balance was \$99,099 and \$50,723, respectively. The interest paid for the years ended June 30, 2021 and 2020 was \$2,511 and \$5,844, respectively.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6. NET ASSETS

Net assets with donor restrictions for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Specific purpose:		
Time restriction	\$ 225,000	\$ 175,000
Purpose restriction	10,000	-
	<u>\$ 235,000</u>	<u>\$ 175,000</u>

Net assets without donor restrictions for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Undesignated	<u>\$ 984,154</u>	<u>\$ 974,159</u>

Net assets released from net assets with donor restrictions for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Satisfaction for time restrictions	<u>\$ 250,000</u>	<u>\$ 325,000</u>

NOTE 7. OPERATING LEASES

Housing leases operational housing facilities under non-cancelable leases which expire at various times through 2030.

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. Since 2018, the lease was extended on a month-to-month basis until December 31, 2020 when it was terminated. During 2020, Housing executed a ten-year lease agreement for a secondary office space to commence July 1, 2020 with an annual rent of \$73,240, with a 2% annual escalation.

For the years ended June 30, 2021 and 2020, rent expense and other rental expenses amounted to approximately \$3,500,000 and \$3,000,000, respectively.

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

<u>June 30,</u>	
2022	\$ 3,232,632
2023	1,837,111
2024	486,585
2025	264,271
2026	193,495
	<u>\$ 6,014,094</u>

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 loans to support program operations while the City processes Housing's payment vouchers. The loans totaled \$1,034,080 and \$666,528 in 2021 and 2020, are noninterest bearing and were to be re-paid by recoupment of monies paid by the City to Housing. As of June 30, 2021 and 2020, the amount pending recoupment is \$1,034,080 and \$666,528, respectively, which were fully paid in fiscal years 2022 and 2021.

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 administers funds for WCJA, provides accounting and administrative support at a fee of 10% of its funds or such amounts as authorized in applicable grant agreements. For the fiscal years ended June 30, 2021 and 2020, the administrative fees received from WCJA were \$27,638 and \$35,013, respectively, which are included in the other revenue. As of June 30, 2021 and 2020, the balance still due to WCJA totaled \$92,106 and \$110,730, respectively.

NOTE 9. UNCERTAIN TAX POSITIONS

Accounting principles generally accepted in the United States of America require 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, 2021 and 2020 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 2017.

NOTE 10. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

A significant portion of Housing's revenue is derived from HUD and state agency 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 would 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 make a matching contribution. For the years ended June 30, 2021 and 2020, Housing's contribution amounted to \$14,055 and \$16,010, respectively.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 12. PAYCHECK PROTECTION PROGRAM LOAN

In April of 2020, Housing received loan proceeds in the amount of \$486,140 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (Cares “Act”), provides for loans to qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loans proceeds for eligible purposes, including payroll, benefits, rent and utilities, software and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

In August of 2021, Housing was informed by letter from the Small Business Administration that the entire amount of the PPP loan was forgiven. In accordance with Subtopic 958-605, Housing has recognized the PPP forgiveness amount \$419,126 as income, which is included on the statement of activities and the remaining amount is included as due to other organization on the statement of financial position.

NOTE 13. RELATED PARTY TRANSACTIONS

In June 2018, a memorandum of understanding (“MOU”) was formed for an affordable and supportive housing project between Housing + Solutions, Inc. (“Housing”), L+M Development Partners, Inc. (“L+M”) and an affiliate of B&B Atlantic LLC (“B&B”), in relation to the development, ownership and operation of the housing development project located at 315 Linwood Street, Brooklyn, NY (the “Project”). Housing + Solutions, Inc. would be the service provider of the Project after the Project is completed per MOU.

In April 2021, the sole membership interest of HP Linwood Park Housing Development Fund Company, Inc. (“HDFC”), was assigned to Housing + Solutions, Inc., at the consent of NYC Department of Housing Preservation and Development, the New York State Housing Finance Agency and the other Project lenders and investor. The HDFC was formed as its sole member for the qualification of 420-c real estate tax exemption. The HDFC is the nominal owner of the Project and 51% member of the managing member and .01% owner of the beneficial owner of the Project. The remaining 99.99% of the ownership interests in the beneficial owner of the Project is owned by Wells Fargo Affordable Housing Community Development Corp., which is the low-income housing tax credit investor.

NOTE 14. COVID-19 PANDEMIC

Housing’s operations have been affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which in March 2020, was declared a pandemic by the World Health Organization. The ultimate disruption which will be caused by the outbreak is uncertain; and management, at this time, cannot reasonably estimate the amount of impact it will have on Housing’s financial position, operations and cash flows. Possible areas that may be affected include, but are not limited to, disruption to Housing’s programs.

NOTE 15. SUBSEQUENT EVENTS

Housing has evaluated events and transactions that occurred through January 11, 2022, which is the date the consolidated financial statements were available to be issued, for possible disclosure and recognition in the consolidated financial statements.

In August of 2021, Housing was informed by letter from the Small Business Administration that the entire amount of the first PPP loan had been forgiven. See Note 12.