

HOUSING + SOLUTIONS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

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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, 2016 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, 2016, 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 black ink, appearing to read "Lyle + [unclear]", written in a cursive style.

November 21, 2016

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

Cash and cash equivalents	\$ 654,505
Tenant receivables	56,294
Government grants	445,961
Pledge receivables	27,400
Property and equipment, net of accumulated depreciation of \$259,499	381,711
Security deposits and other assets	<u>145,381</u>
Total Assets	<u>\$1,711,252</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 37,206
Accrued expenses	42,150
Deferred revenue	325,695
Due to other organizations	90,000
Security deposits payable	<u>32,787</u>
Total Liabilities	<u>527,838</u>

Net Assets

Unrestricted	<u>1,183,414</u>
Total Net Assets	<u>1,183,414</u>
Total Liabilities and Net Assets	<u>\$1,711,252</u>

See accompanying auditors' report and notes to financial statements.

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Total
Revenues	
Contributions	\$ 649,152
Government grants	2,444,305
Tenant rentals	475,486
Other	505
Total revenues	3,569,448
Expenses	
Program services	2,840,780
Supporting services	
Fundraising	349,605
Management and general	347,202
Total expense	3,537,587
Increase in net assets	31,861
Net assets - beginning	1,151,553
Net Assets - End	\$ 1,183,414

See accompanying auditors' report and notes to financial statements.

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and payroll Expenses	\$ 799,022	\$ 246,320	\$ 240,203	\$1,285,545
Rent	1,611,297	30,840	11,076	1,653,213
Utilities	138,050	17,678	1,178	156,906
Repairs and maintenance	60,228	1,677	338	62,243
Furnishings	94,968	-	-	94,968
Tenant services	28,529	466	714	29,709
Information technology	14,411	3,829	2,157	20,397
Development and public awareness	2,845	5,563	76,911	85,319
Staff expenses	4,050	10,267	1,802	16,119
Professional services	11,067	13,416	7,304	31,787
Depreciation	24,632	-	-	24,632
Bad debts	28,432	691	-	29,123
Office expenses	23,249	16,455	7,922	47,626
Total expenses	<u>\$2,840,780</u>	<u>\$ 347,202</u>	<u>\$ 349,605</u>	<u>\$3,537,587</u>

See accompanying auditors' report and notes to financial statements.

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities

Change in net assets	\$ 31,861
Adjustment of change in net assets to to net cash provided by operations	
Depreciation	24,632
Change in operating assets	
Increase in tenant receivables	(5,786)
Increase in government grants	(252,025)
Decrease in pledge receivable	62,593
Change in operating liabilities	
Increase in deferred revenue	70,202
Increase in due to other organizations	90,000
Increase in accounts payable	6,636
Decrease in accrued expenses	<u>(15,002)</u>
Cash Flows Provided By Operating Activities	<u>13,111</u>

Cash Flows from Investing Activities

Increase in security of deposits	(46,433)
Increase in security deposits payable	<u>5,590</u>

Cash Flows Used by Investing Activities	<u>(40,843)</u>
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Net Decrease Cash and Cash Equivalents (27,732)

Cash and Cash Equivalents, Beginning 682,237

Cash and Cash Equivalents, End \$ 604,505

See accompanying auditors' report and notes to financial statements.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

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. During 2014, 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.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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 consists of tenants and government receivables 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.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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. Included in contribution revenue and development and public awareness is a promotional and branding campaign donated by Taproot with an estimated fair value approximating \$70,000.

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.

Revenue Recognition

Contributions and grants are recognized as the performance conditions of such contribution are fulfilled. Advance payments of grant revenue is recorded as deferred income until the funds have been expended.

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>(259,499)</u>
Total	<u><u>\$ 381,711</u></u>

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

Note 3 - Operating Leases

Housing leases operational housing facilities under non-cancelable leases which expire at various times through 2025. During 2013, Housing executed a four year lease agreement for Housing's offices which will mature May 31, 2017 with annual rent approximating \$43,000. For the year ended June 30, 2016, rent expense and other rental expenses amounted to approximately \$1,692,000.

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

<u>Year Ending June 30th</u>	<u>Amount</u>
2017	\$ 1,517,000
2018	605,000
2019	162,000
2020	172,000
2020	172,000

Note 4 - 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, 2014 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 2013.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

Note 5 - 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 6 - Due to Other Organizations

In fiscal 2016, Housing receive \$115,000 on behalf of a consortium of not for profit organizations to cover expensed associated with the initial year of operations of a pilot program, Woman's Community Justice Project. The program seeks to improve the lives of women involved in the criminal justice system as an alternative to jail.

Note 7 - Subsequent Events

Housing has evaluated subsequent events through November 21, 2016, the date of the financial statements were available for issuance.