

HOUSING + SOLUTIONS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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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 statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements .

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are required to be independent of Housing + Solutions, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements , management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Housing + Solutions, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Housing + Solutions, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Housing + Solutions, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Satty, Levine & Ciacco CPAs PC

Satty, Levine & Ciacco, CPAs, P.C.
Melville, New York
September 20, 2023

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS:		
Cash and cash equivalents	\$ 446,793	\$ 701,592
Accounts receivable, net	2,147,609	1,692,478
Property and equipment, net	341,746	364,298
Security deposits and other assets	308,848	284,605
	<u>3,244,996</u>	<u>3,042,973</u>
TOTAL ASSETS	<u>\$ 3,244,996</u>	<u>\$ 3,042,973</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 243,040	\$ 215,169
Line of credit	205,000	99,099
Due to other organization	459,454	92,106
Refundable advances	354,866	338,377
Security deposits payable	44,988	44,988
Loans payable	756,822	1,034,080
	<u>2,064,170</u>	<u>1,823,819</u>
TOTAL LIABILITIES	<u>2,064,170</u>	<u>1,823,819</u>
 NET ASSETS:		
Without donor restrictions	705,826	984,154
With donor restrictions	475,000	235,000
	<u>1,180,826</u>	<u>1,219,154</u>
TOTAL NET ASSETS	<u>1,180,826</u>	<u>1,219,154</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,244,996</u>	<u>\$ 3,042,973</u>

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

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL 2022</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL 2021</u>
OPERATING ACTIVITIES:						
REVENUES AND OTHER SUPPORT:						
Contributions	\$ 1,004,730	\$ 597,500	\$ 1,602,230	\$ 1,119,175	\$ 310,000	\$ 1,429,175
Government grants	6,212,810	-	6,212,810	5,817,596	-	5,817,596
Tenant rentals	691,163	-	691,163	620,248	-	620,248
In-kind contributions	1,247	-	1,247	150,828	-	150,828
Other	133,543	-	133,543	51,279	-	51,279
Net assets released from restrictions	357,500	(357,500)	-	250,000	(250,000)	-
TOTAL REVENUES AND OTHER SUPPORT	<u>8,400,993</u>	<u>240,000</u>	<u>8,640,993</u>	<u>8,009,126</u>	<u>60,000</u>	<u>8,069,126</u>
EXPENSES:						
Program services	7,273,401	-	7,273,401	7,382,352	-	7,382,352
Supporting services						
Management and general	793,993	-	793,993	538,392	-	538,392
Fundraising	611,927	-	611,927	497,513	-	497,513
TOTAL EXPENSES	<u>8,679,321</u>	<u>-</u>	<u>8,679,321</u>	<u>8,418,257</u>	<u>-</u>	<u>8,418,257</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(278,328)	240,000	(38,328)	(409,131)	60,000	(349,131)
NONOPERATING ACTIVITIES:						
SBA PPP loan forgiveness	-	-	-	419,126	-	419,126
CHANGE IN NET ASSETS	(278,328)	240,000	(38,328)	9,995	60,000	69,995
NET ASSETS:						
Beginning of year	984,154	235,000	1,219,154	974,159	175,000	1,149,159
End of year	<u>\$ 705,826</u>	<u>\$ 475,000</u>	<u>\$ 1,180,826</u>	<u>\$ 984,154</u>	<u>\$ 235,000</u>	<u>\$ 1,219,154</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, 2022

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
EXPENSES				
Salaries and related expenses	\$ 2,500,073	\$ 577,711	\$ 221,911	\$ 3,299,695
Rent and occupancy	3,560,147	29,945	7,334	3,597,426
Utilities	295,152	31,600	3,530	330,282
Repairs and maintenance	86,308	9,446	-	95,754
Furnishings	32,440	-	-	32,440
Tenant services	54,563	771	-	55,334
Office expense	45,222	24,206	8,060	77,488
Information technology	91,668	24,722	23,702	140,092
Development and public awareness	-	5,072	85,561	90,633
Staff expenses	59,146	1,151	8,478	68,775
Professional services and interns	257,328	68,956	221,485	547,769
In-kind services	-	-	1,247	1,247
Depreciation	12,888	8,925	739	22,552
Other	9,587	11,488	29,880	50,955
Bad debts	268,879	-	-	268,879
TOTAL EXPENSES	<u>\$ 7,273,401</u>	<u>\$ 793,993</u>	<u>\$ 611,927</u>	<u>\$ 8,679,321</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 STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (38,328)	\$ 69,995
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	22,552	27,347
Forgiveness of paycheck protection program loan	-	(486,140)
Allowance for doubtful accounts	-	133,536
(Increase) decrease in:		
Accounts receivable	(455,131)	172,670
Security deposits and other assets	(24,243)	(7,755)
Increase (decrease) in:		
Accounts payable and accrued expenses	27,871	(100,163)
Deferred income	-	(148,868)
Refundable advances	16,489	338,377
Security deposits payable	-	474
TOTAL ADJUSTMENTS	<u>(412,462)</u>	<u>(70,522)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(450,790)</u>	<u>(527)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(1,686)
NET CASH USED IN INVESTING ACTIVITIES	<u>-</u>	<u>(1,686)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Revolving line of credit, net	105,901	48,376
Proceeds from loans payable	600,000	367,552
Principal payments on loans payable	(877,258)	-
Proceeds (repayment) to other organization, net	367,348	(18,624)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>195,991</u>	<u>397,304</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(254,799)</u>	<u>395,091</u>
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>701,592</u>	<u>306,501</u>
End of year	<u>\$ 446,793</u>	<u>\$ 701,592</u>

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

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2022 AND 2021

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, 2022 AND 2021

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, 2022, 2021, 2020 and 2019 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 2021 consolidated financial statements have been reclassified to conform to 2022 presentation.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents Housing + Solutions, Inc.'s financial assets at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 446,793	\$ 701,592
Accounts receivable, net	2,147,609	1,692,478
Total financial assets	<u>2,594,402</u>	<u>2,394,070</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>475,000</u>	<u>235,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,119,402</u>	<u>\$ 2,159,070</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, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 83,000	\$ 83,000
Building	332,000	332,000
Leasehold improvements	14,866	14,866
Office equipment	23,140	23,140
Furniture and housing equipment	<u>123,919</u>	<u>123,919</u>
	576,925	576,925
Less: Accumulated depreciation	<u>(235,179)</u>	<u>(212,627)</u>
Property and equipment (net)	<u>\$ 341,746</u>	<u>\$ 364,298</u>

NOTE 5. WORKING LINE OF CREDIT

Housing has a working line of credit of \$250,000, with a bank at June 30, 2022 and 2021. Interest is at the Wall Street Journal Prime Rate plus 1.0% for both years. The line had a maturity date of February 28, 2022 and has been extended through February 28, 2023 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, 2022 and 2021, the outstanding balance was \$205,000 and \$99,099, respectively.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6. NET ASSETS

Net assets with donor restrictions for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Specific purpose:		
Time restriction	\$ 475,000	\$ 225,000
Purpose restriction	-	10,000
	<u>\$ 475,000</u>	<u>\$ 235,000</u>

Net assets without donor restrictions for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Undesignated	<u>\$ 705,826</u>	<u>\$ 984,154</u>

Net assets released from net assets with donor restrictions for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Satisfaction for time restrictions	<u>\$ 357,500</u>	<u>\$ 250,000</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, 2022 and 2021, rent expense and other rental expenses amounted to approximately \$3,500,000 and \$3,600,000, respectively.

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

<u>June 30,</u>	
2023	\$ 1,837,111
2024	486,585
2025	264,271
2026	193,495
2027	73,243
Thereafter	<u>222,661</u>
	<u>\$ 3,077,366</u>

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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 \$156,822 and \$1,034,080 in 2022 and 2021, are noninterest bearing and were to be re-paid by recoupment of monies paid by the City to Housing. As of June 30, 2022 and 2021, the outstanding amounts pending recoupment are \$156,822 and \$1,034,080, respectively. It was anticipated that these amounts would be fully repaid in fiscal years 2023 and 2022, respectively.

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, 2022 and 2021, the administrative fees received from WCJA were \$14,185 and \$26,736, respectively, which are included in the other revenue. As of June 30, 2022 and 2021, the balance still due to WCJA totaled \$459,454 and \$92,106, 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, 2022 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 consolidated 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 2018.

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, 2022 and 2021, Housing's contribution amounted to \$8,254 and \$14,055, respectively.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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.

Housing secured a working capital loan of \$600,000 from the Nonprofit Finance Fund to support its operations due to the disruptions from the Covid-19 pandemic. As of June 30, 2022, this amount remained outstanding.

NOTE 15. SUBSEQUENT EVENTS

Housing has evaluated events and transactions that occurred through September 20, 2023, which is the date the consolidated financial statements were available to be issued, for possible disclosure and recognition in the consolidated financial statements.