

HOUSING + SOLUTIONS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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JUNE 30, 2023 AND 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 audits 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
June 3, 2024

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS:		
Cash and cash equivalents	\$ 1,220,515	\$ 446,793
Accounts receivable, net	6,880,573	2,147,609
Property and equipment, net	489,979	341,746
Right of use assets - operating leases	4,040,588	-
Security deposits and other assets	341,981	308,848
TOTAL ASSETS	<u>\$ 12,973,636</u>	<u>\$ 3,244,996</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 2,582,599	\$ 243,040
Line of credit	-	205,000
Due to other organization	510,961	616,276
Refundable advances	622,584	354,866
Security deposits payable	44,988	44,988
Lease liability	4,070,005	-
Loans payable	3,866,917	600,000
TOTAL LIABILITIES	<u>11,698,054</u>	<u>2,064,170</u>
 NET ASSETS:		
Without donor restrictions	590,582	705,826
With donor restrictions	685,000	475,000
TOTAL NET ASSETS	<u>1,275,582</u>	<u>1,180,826</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,973,636</u>	<u>\$ 3,244,996</u>

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

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL 2023</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL 2022</u>
OPERATING ACTIVITIES:						
REVENUES AND OTHER SUPPORT:						
Contributions	\$ 1,371,772	\$ 612,500	\$ 1,984,272	\$ 1,004,730	\$ 597,500	\$ 1,602,230
Government grants	10,468,831	-	10,468,831	6,212,810	-	6,212,810
Tenant rentals	770,606	-	770,606	691,163	-	691,163
In-kind contributions	-	-	-	1,247	-	1,247
Other	197,255	-	197,255	133,543	-	133,543
Net assets released from restrictions	402,500	(402,500)	-	357,500	(357,500)	-
TOTAL REVENUES AND OTHER SUPPORT	13,210,964	210,000	13,420,964	8,400,993	240,000	8,640,993
EXPENSES:						
Program services	11,202,385	-	11,202,385	7,273,401	-	7,273,401
Supporting services						
Management and general	1,322,142	-	1,322,142	793,993	-	793,993
Fundraising	801,681	-	801,681	611,927	-	611,927
TOTAL EXPENSES	13,326,208	-	13,326,208	8,679,321	-	8,679,321
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(115,244)	210,000	94,756	(278,328)	240,000	(38,328)
NET ASSETS:						
Beginning of year	705,826	475,000	1,180,826	984,154	235,000	1,219,154
End of year	\$ 590,582	\$ 685,000	\$ 1,275,582	\$ 705,826	\$ 475,000	\$ 1,180,826

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

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
EXPENSES				
Salaries and related expenses	\$ 3,061,542	\$ 697,051	\$ 375,232	\$ 4,133,825
Rent and occupancy	4,039,266	126,261	36,020	4,201,547
Utilities	341,893	17,962	3,456	363,311
Repairs and maintenance	118,151	19,047	558	137,756
Furnishings	110,266	-	-	110,266
Tenant services	61,365	18,878	21,854	102,097
Security expense	118,990	-	-	118,990
Office expense	40,551	23,343	11,067	74,961
Information technology	116,335	48,314	12,819	177,468
Development and public awareness	93	3,683	108,843	112,619
Staff expenses	77,949	88,928	1,189	168,066
Professional services and interns	267,179	195,034	219,004	681,217
Subcontractor	2,596,246	-	-	2,596,246
Depreciation	7,166	1,133	5,199	13,498
Other	9,139	57,322	5,771	72,232
Bad debts	236,254	25,186	669	262,109
TOTAL EXPENSES	<u>\$ 11,202,385</u>	<u>\$ 1,322,142</u>	<u>\$ 801,681</u>	<u>\$ 13,326,208</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	578	5,072	85,561	91,211
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	6,392	11,488	29,880	47,760
Bad debts	271,496	-	-	271,496
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 STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 94,756	\$ (38,328)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	13,498	22,552
Allowance for doubtful accounts	205,308	-
Changes in operating assets and liabilities		
Accounts receivable	(4,938,272)	(455,131)
Security deposits and other assets	(33,133)	(24,243)
Operating lease assets and liabilities	29,417	-
Accounts payable and accrued expenses	2,339,559	27,871
Refundable advances	267,718	16,489
TOTAL ADJUSTMENTS	<u>(2,115,905)</u>	<u>(412,462)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(2,021,149)</u>	<u>(450,790)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(161,731)	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(161,731)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Revolving line of credit, net	(205,000)	105,901
Proceeds from loans payable	3,266,917	600,000
Principal payments on loans payable	-	(877,258)
Proceeds (repayment) to other organization, net	(105,315)	367,348
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>2,956,602</u>	<u>195,991</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>773,722</u>	<u>(254,799)</u>
CASH AND CASH EQUIVALENTS:		
Beginning of year	446,793	701,592
End of year	<u>\$ 1,220,515</u>	<u>\$ 446,793</u>

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

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1. ORGANIZATION AND BASIS OF ACCOUNTING AND PRESENTATION

A. ORGANIZATION

Housing + Solutions, Inc. (the "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, 2023 AND 2022

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

D. MEASUREMENT OF OPERATIONS

The consolidated statements 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 are due within the current year, therefore, no discount is required.

C. TENANT RECEIVABLES

Tenant receivables are recorded at original invoice amount, less an estimated allowance for doubtful accounts. Accounts receivable are generally extended on a short-term basis, thus the receivables do not bear interest. Tenant receivables 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.

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.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

Expense	Method of Allocation
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's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2023, 2022, 2021 and 2020 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 2022 consolidated financial statements have been reclassified to conform to 2023 presentation.

K. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

Effective July 1, 2022 the Organization adopted FASB ASC 842, *Leases*. The new standard requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities.

The Housing elected to adopt the new standard on its effective date using a modified retrospective transition approach as required, applying the new standard to all leases existing at the date of initial application. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before July 1, 2022. The new standard provides a number of optional practical expedients in transition. Housing elected the package of practical expedients, which permits Housing not to reassess under the new standard prior conclusions about lease identification, lease classification and initial direct costs. Housing also elected the practical expedient which permits the use of a risk-free rate as the discount rate for all leases and the practical expedient to not separate lease and non-lease components for all Housing's leases.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT (continued)

The adoption of the new standard had a material effect on Housing’s statement of financial position but did not have a material impact on the statement of activities. The most significant impact related to the recognition of ROU assets and lease liabilities for operating leases. Adoption of the standard required Housing to restate amounts as of July 1, 2022, resulting in an increase in operating lease ROU assets of \$2,307,650 and an increase in operating lease liabilities of \$2,307,650.

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents Housing + Solutions, Inc.’s financial assets at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,220,515	\$ 446,793
Accounts receivable, net	6,880,573	2,147,609
Total financial assets	<u>8,101,088</u>	<u>2,594,402</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>685,000</u>	<u>475,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,416,088</u>	<u>\$ 2,119,402</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, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 83,000	\$ 83,000
Building	332,000	332,000
Leasehold improvements	176,596	14,866
Office equipment	23,140	23,140
Furniture and housing equipment	123,919	123,919
	<u>738,655</u>	<u>576,925</u>
Less: Accumulated depreciation	<u>(248,676)</u>	<u>(235,179)</u>
Property and equipment (net)	<u>\$ 489,979</u>	<u>\$ 341,746</u>

NOTE 5. WORKING LINE OF CREDIT

Housing has a working line of credit of \$250,000, with a bank at June 30, 2023 and 2022. Interest is at the Wall Street Journal Prime Rate plus 1.0% for both years. The line had a maturity date of February 28, 2023 and has been extended through December 30, 2024 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, 2023 and 2022, the outstanding balance was \$0 and \$205,000, respectively.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6. NET ASSETS

Net assets with donor restrictions for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Specific purpose:		
Time restriction	\$ 685,000	\$ 475,000

Net assets without donor restrictions for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 590,582	\$ 705,826

Net assets released from net assets with donor restrictions for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction for time restrictions	\$ 402,500	\$ 357,500

NOTE 7. OPERATING LEASES

Housing evaluated current leases to determine which met the criteria of a lease. The right-of-use (ROU) assets represent Housing's right to use underlying assets for the lease term, and the lease liabilities represent Housing's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. Housing has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2023 was 1.16%.

Housing's operating leases consist primarily of real estate leases for its facility and tenants. These leases expire in 2029. The rental expense for these leases was approximately \$4,000,000 for the fiscal year ending June 30, 2023.

Cash paid for the operating lease included in the calculation of the ROU assets and lease liabilities for the year ended June 30, 2023 was approximately \$4,030,000. There were no noncash investing and financing transactions related to leasing.

The right-of-use asset and corresponding liability associated with future lease payments at June 30, 2023 are shown below:

	<u>Operating leases</u>
Right-of-use assets	\$ 4,510,741
Amortization	(470,153)
Right-of-use assets, net	<u>\$ 4,040,588</u>
Lease liability	<u>\$ 4,070,005</u>
<u>Weighted average:</u>	
Discount rate	1.16%
Remaining lease term (years)	3.78

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7. OPERATING LEASES

Future maturities of lease liabilities under the operating leases are as follows:

<u>June 30,</u>		
2024	\$	1,355,814
2025		1,266,506
2026		546,713
2027		421,571
2028		391,496
Thereafter		<u>173,341</u>
Total lease payments		4,155,441
Less: Present value discount		<u>(85,436)</u>
Present value of lease liability	\$	<u><u>4,070,005</u></u>

NOTE 8. DUE FROM/TO OTHER ORGANIZATION

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. In January 2019, Housing entered into an agreement to serve as WCJA’s fiscal sponsor. Under this agreement, Housing receives and administers funds for WCJA and provides accounting and administrative support at a fee of 10% of the funds or as authorized by applicable grant agreements. For the fiscal years ended June 30, 2023 and 2022, the administrative fees received from WCJA were \$64,300 and \$14,185, respectively, which are included in the other revenue. As of June 30, 2023 and 2022, the balance due from WCJA was \$901,261 and \$156,709, respectively, which are included in the accounts receivable. The balance due to WCJA was \$510,961 and \$616,276, respectively. Subsequently, as of March 31, 2024, all balances were repaid.

NOTE 9. LOANS PAYABLE

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, 2023, this amount remains outstanding.

In February 2023, Housing secured a demand promissory note for \$3,029,538 from the Fund for the City of New York to support its new program. This loan was made in response to Housing’s request for funds to cover operating expenses pending receipt of funds from the Mayor’s Office of Criminal Justice. Additionally, in 2022, Housing obtained bridge loans of \$237,379 from the Fund for the City of New York to cover its operating expenses. As of June 30, 2023, the loan balance due to the Fund for the City of New York is \$3,266,917.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10. 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 Housing 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, 2023 and 2022 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 2019.

NOTE 11. 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 12. 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, 2023 and 2022, Housing's contribution amounted to \$29,972 and \$8,254, respectively.

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. SUBSEQUENT EVENTS

Housing has evaluated events and transactions that occurred through June 3, 2024, which is the date the consolidated financial statements were available to be issued, for possible disclosure and recognition in the consolidated financial statements.