

HOUSING + SOLUTIONS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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JUNE 30, 2024 AND 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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, P.C.
Melville, New York
January 24, 2025

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS:		
Cash and cash equivalents	\$ 187,776	\$ 1,220,515
Accounts receivable, net	3,753,766	6,880,573
Property and equipment, net	557,707	489,979
Right of use assets - operating leases	67,462,552	4,040,588
Security deposits and other assets	256,486	341,981
TOTAL ASSETS	<u><u>\$ 72,218,287</u></u>	<u><u>\$ 12,973,636</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 2,876,946	\$ 2,582,599
Due to other organization	-	510,961
Refundable advances	285,862	622,584
Security deposits payable	23,061	44,988
Lease liability	67,520,915	4,070,005
Loans payable	674,377	3,866,917
TOTAL LIABILITIES	<u>71,381,161</u>	<u>11,698,054</u>
 NET ASSETS:		
Without donor restrictions	364,626	590,582
With donor restrictions	472,500	685,000
TOTAL NET ASSETS	<u>837,126</u>	<u>1,275,582</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 72,218,287</u></u>	<u><u>\$ 12,973,636</u></u>

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

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL 2024</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL 2023</u>
OPERATING ACTIVITIES:						
REVENUES AND OTHER SUPPORT:						
Contributions	\$ 860,252	\$ 250,000	\$ 1,110,252	\$ 1,371,772	\$ 612,500	\$ 1,984,272
Government grants	12,666,647	-	12,666,647	10,468,831	-	10,468,831
Tenant rentals	805,714	-	805,714	770,606	-	770,606
In-kind contributions	-	-	-	-	-	-
Other	268,700	-	268,700	197,255	-	197,255
Net assets released from restrictions	462,500	(462,500)	-	402,500	(402,500)	-
	<u>15,063,813</u>	<u>(212,500)</u>	<u>14,851,313</u>	<u>13,210,964</u>	<u>210,000</u>	<u>13,420,964</u>
TOTAL REVENUES AND OTHER SUPPORT						
EXPENSES:						
Program services	13,636,574	-	13,636,574	11,202,385	-	11,202,385
Supporting services						
Management and general	850,939	-	850,939	1,322,142	-	1,322,142
Fundraising	802,256	-	802,256	801,681	-	801,681
	<u>15,289,769</u>	<u>-</u>	<u>15,289,769</u>	<u>13,326,208</u>	<u>-</u>	<u>13,326,208</u>
TOTAL EXPENSES						
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(225,956)	(212,500)	(438,456)	(115,244)	210,000	94,756
NET ASSETS:						
Beginning of year	590,582	685,000	1,275,582	705,826	475,000	1,180,826
End of year	<u>\$ 364,626</u>	<u>\$ 472,500</u>	<u>\$ 837,126</u>	<u>\$ 590,582</u>	<u>\$ 685,000</u>	<u>\$ 1,275,582</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, 2024

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
EXPENSES				
Salaries and related expenses	\$ 4,199,120	\$ 282,790	\$ 237,069	\$ 4,718,979
Rent and occupancy	4,982,928	71,353	31,968	5,086,249
Utilities	339,792	18,312	2,259	360,363
Repairs and maintenance	124,557	9,800	82	134,439
Furnishings	64,628	342	5,583	70,553
Tenant services	152,684	9,094	606	162,384
Security expense	139,168	-	-	139,168
Office expense	35,406	44,153	3,009	82,568
Information technology	78,562	68,230	15,178	161,970
Development and public awareness	100	21,890	91,471	113,461
Staff expenses	185,206	60,359	2,913	248,478
Professional services and interns	284,438	187,221	389,150	860,809
Subcontractor	2,926,200	-	-	2,926,200
Depreciation	37,027	1,133	18,954	57,114
Other	59,139	8,385	-	67,524
Bad debts	27,619	67,877	4,014	99,510
TOTAL EXPENSES	\$ 13,636,574	\$ 850,939	\$ 802,256	\$ 15,289,769

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

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
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	\$ 11,202,385	\$ 1,322,142	\$ 801,681	\$ 13,326,208

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

HOUSING + SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (438,456)	\$ 94,756
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	57,114	13,498
Allowance for doubtful accounts	50,000	205,308
Changes in operating assets and liabilities		
Accounts receivable	3,076,807	(4,938,272)
Security deposits and other assets	85,495	(33,133)
Operating lease assets and liabilities	28,946	29,417
Accounts payable and accrued expenses	294,347	2,339,559
Refundable advances	(336,722)	267,718
Security deposits payable	(21,927)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>2,795,604</u>	<u>(2,021,149)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(124,842)	(161,731)
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(124,842)</u>	<u>(161,731)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Revolving line of credit, net	-	(205,000)
Proceeds from loans payable	-	3,266,917
Principal payments on loans payable	(3,192,540)	-
Repayments to other organization, net	(510,961)	(105,315)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(3,703,501)</u>	<u>2,956,602</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(1,032,739)</u>	<u>773,722</u>
CASH AND CASH EQUIVALENTS:		
Beginning of year	1,220,515	446,793
End of year	<u>\$ 187,776</u>	<u>\$ 1,220,515</u>

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

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

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, 2024 AND 2023

NOTE 1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (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.

E. 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.

F. 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.

G. 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.

H. 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.

I. RIGHT OF USE LEASED ASSETS AND LIABILITIES

Right to use leased assets and the related liabilities are recognized at the lease commencement date and represent the our right to use an underlying asset and lease obligations for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The amortization period varies among the leases

J. 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, 2024 AND 2023

NOTE 1. PRICINPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

K. 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.

L. 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.

M. 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

N. 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, 2024, 2023, 2022 and 2021 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.

O. RECLASSIFICATIONS:

Certain items in the 2023 consolidated financial statements have been reclassified to conform to 2024 presentation.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 2. AVAILABILITY AND LIQUIDITY

The following represents Housing + Solutions, Inc.'s financial assets at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 187,776	\$ 1,220,515
Accounts receivable, net	3,753,766	6,880,573
Total financial assets	3,941,542	8,101,088
Less amounts not available to be used within one year:		
Net assets with donor restrictions	472,500	685,000
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,469,042</u>	<u>\$ 7,416,088</u>

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

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 83,000	\$ 83,000
Building	332,000	332,000
Leasehold improvements	176,596	176,596
Office equipment	23,140	23,140
Furniture and housing equipment	248,761	123,919
	863,497	738,655
Less: Accumulated depreciation	(305,790)	(248,676)
Property and equipment (net)	<u>\$ 557,707</u>	<u>\$ 489,979</u>

NOTE 4. WORKING LINE OF CREDIT

Housing has a working line of credit of \$250,000, with a bank at June 30, 2024 and 2023. 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, 2024 and 2023, there was no outstanding balance.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 5. NET ASSETS

Net assets with donor restrictions for the years ended June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Specific purpose:		
Time restriction	<u>\$ 472,500</u>	<u>\$ 685,000</u>

Net assets without donor restrictions for the years ended June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Undesignated	<u>\$ 364,626</u>	<u>\$ 590,582</u>

Net assets released from net assets with donor restrictions for the years ended June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Satisfaction for time restrictions	<u>\$ 462,500</u>	<u>\$ 402,500</u>

NOTE 6. 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, 2024 and 2023, the administrative fees received from WCJA were \$0 and \$64,300, respectively, which are included in the other revenue. As of June 30, 2024 and 2023, the balance due from WCJA was \$111,475 and \$901,261, respectively, which are included in the accounts receivable. The balance due to WCJA was \$0 and \$510,961, respectively.

NOTE 7. 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, 2024 and 2023, the balance due was \$150,000 and \$600,000 respectively.

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 provided in response to Housing’s request for funds to cover operating expenses pending receipt of funds from the Mayor’s Office of Criminal Justice. As of June 30, 2024, the loan balance was \$524,377. Additionally, Housing obtained bridge loans totaling \$237,379 from the Fund for the City of New York to cover operating expenses in 2022. As of June 30, 2024, the balance of these loans has been paid in full.

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 8. 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, 2024 was 1.99%.

Housing's operating leases consist primarily of real estate leases for its facility and tenants. These leases expire in 2054. The rental expense for these leases was approximately \$4,000,000 for the fiscal year ending June 30, 2024.

Cash paid for the operating lease included in the calculation of the ROU assets and lease liabilities for the year ended June 30, 2024 was approximately \$4,000,000. 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, 2024 are shown below:

	<u>Operating leases</u>
Right-of-use assets	\$ 69,357,079
Amortization	<u>(1,894,527)</u>
Right-of-use assets, net	<u><u>\$ 67,462,552</u></u>
Lease liability	<u><u>\$ 67,520,915</u></u>
<u>Weighted average:</u>	
Discount rate	1.99%
Remaining lease term (years)	28.67

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

<u>June 30,</u>	
2025	\$ 3,670,706
2026	2,907,913
2027	2,684,435
2028	2,699,624
2029	2,440,092
Thereafter	<u>77,027,881</u>
Total lease payments	91,430,651
Less: Present value discount	<u>(23,909,736)</u>
Present value of lease liability	<u><u>\$ 67,520,915</u></u>

HOUSING + SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 8. OPERATING LEASES (continued)

In 2024, Housing entered into a thirty-year lease agreement with the landlord for its Westchester Ave facility, with an annual rent of approximately \$2,175,000. The lease agreement includes a provision allowing Housing to terminate the lease if, at any time during the term, the City of New York, Mayor's Office of Criminal Justice ("MOCJ") terminates or reduces funding allocated for Housing's use in connection with services provided at the premises by more than 6% of Housing's contracted annual budget. If, in Housing's good faith judgment, such a reduction materially or adversely impacts its ability to pay the fixed rent or sustain operations at the premises, Housing shall have the option to terminate the lease by providing six months prior notice to the landlord and returning the premises.

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 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, 2024 and 2023 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 2020.

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. 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.

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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, 2024 and 2023, Housing's contribution amounted to \$24,935 and \$29,972, respectively.

NOTE 13. SUBSEQUENT EVENTS

Housing has evaluated events and transactions that occurred through January 24, 2025, which is the date the consolidated financial statements were available to be issued, for possible disclosure and recognition in the consolidated financial statements.