

***COMMUNITY HOUSING INNOVATIONS, INC.
AND SUBSIDIARIES***

***REPORTS ON AUDITS OF FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION
AND AUDIT REPORTS RELATED TO UNIFORM GUIDANCE***

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018



Connected
to your business
goals
success

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

REPORTS ON AUDITS OF CONSOLIDATED FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND AUDIT REPORTS RELATED TO UNIFORM GUIDANCE

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

TABLE OF CONTENTS

Audited Consolidated Financial Statements:

Independent Auditors' Report on Consolidated Financial Statements and Uniform Guidance Schedules	1
Consolidated Statements of Financial Position	3
Consolidated Statement of Activities for the Year Ended December 31, 2019	4
Consolidated Statement of Activities for the Year Ended December 31, 2018	5
Consolidated Statement of Functional Expenses for the Year Ended December 31, 2019	6
Consolidated Statement of Functional Expenses for the Year Ended December 31, 2018	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9

Supplementary Information:

Consolidating Statement of Financial Position as of December 31, 2019.....	19
Consolidating Statement of Financial Position as of December 31, 2018.....	20
Consolidating Statement of Activities for the Year Ended December 31, 2019	21
Consolidating Statement of Activities for the Year Ended December 31, 2018	22

Uniform Guidance Reports and Schedules:

Schedule of Expenditures of Federal Awards	23
Notes to Schedule of Expenditures of Federal Awards	24
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the <i>Uniform Guidance</i>	27
Schedule of Findings and Questioned Costs	29



**INDEPENDENT AUDITORS' REPORT
ON CONSOLIDATED FINANCIAL STATEMENTS
AND UNIFORM GUIDANCE SCHEDULES**

Board of Directors of
Community Housing Innovations, Inc. and its Subsidiaries
75 S Broadway #340
White Plains , NY 10601

Report on Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of Community Housing Innovations, Inc. (a nonprofit organization) and its subsidiaries (hereinafter collectively the "Organization") as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The consolidated financial statements and supplementary information of the Organization for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on June 14, 2019.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Additionally, the accompanying supplementary information, including the Consolidating Statements of Financial Position and Statement of Activities as of, and for the year ended, December 31, 2019, respectively, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2020 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Corin & Associates LLP

May 13, 2020
Bohemia, New York

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,

2019

2018

ASSETS		
Current Assets:		
Cash and cash equivalents.....	\$ 7,039,614	\$ 2,236,920
Accounts receivable and accrued revenue, net.....	4,923,186	5,339,391
Prepaid expenses and other current assets.....	94,657	382,508
TOTAL CURRENT ASSETS	12,057,457	7,958,819
Security deposits and other assets.....	216,205	202,212
Property and equipment, net.....	14,616,961	17,434,074
TOTAL ASSETS	\$ 26,890,623	\$ 25,595,105
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of mortgages payable.....	\$ 167,228	\$ 165,003
Current portion of notes payable.....	24,835	21,704
Current portion of lines of credit.....	-	138,477
Current portion of grants payable.....	1,311,351	1,017,932
Contract advances and due to government agencies.....	642,289	521,452
Accounts payable and accrued expenses.....	3,345,998	3,581,286
Deposits payable.....	77,393	83,951
TOTAL CURRENT LIABILITIES	5,569,094	5,529,805
Mortgages payable, net of current portion.....	4,169,944	4,567,955
Notes payable, net of current portion.....	-	25,945
Lines of credit, net of current portion.....	-	1,703,595
Grants payable, net of current portion.....	7,847,377	9,340,657
TOTAL LIABILITIES	17,586,415	21,167,957
Net Assets:		
Without donor restrictions.....	9,117,296	4,387,148
With donor restrictions.....	186,912	40,000
TOTAL NET ASSETS	9,304,208	4,427,148
TOTAL LIABILITIES AND NET ASSETS	\$ 26,890,623	\$ 25,595,105

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

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Rental income	\$ 1,860,882	\$ -	\$ 1,860,882
Scattered site housing/shelters.....	26,840,863	-	26,840,863
Revenue from government contracts	1,695,559	-	1,695,559
Interest	69,417	-	69,417
Special events, net.....	59,705	-	59,705
Contributions	30,255	238,427	268,682
Gain on sales of property and equipment	5,127,558	-	5,127,558
Other	182,197	-	182,197
Release of restrictions on grants payable	1,174,956	-	1,174,956
Net assets released from restriction	91,515	(91,515)	-
TOTAL REVENUE AND SUPPORT	37,132,907	146,912	37,279,819
FUNCTIONAL EXPENSES:			
Program services.....			
County funded emergency shelters.....	24,050,601	-	24,050,601
Permanent housing.....	2,668,309	-	2,668,309
Home grant programs.....	1,198,054	-	1,198,054
Other programs.....	840,181	-	840,181
Total Program Services.....	28,757,145	-	28,757,145
Supporting services.....			
Management and general.....	3,526,573	-	3,526,573
Fundraising.....	119,041	-	119,041
TOTAL EXPENSES	32,402,759	-	32,402,759
CHANGE IN NET ASSETS	4,730,148	146,912	4,877,060
Net assets, beginning of year.....	4,387,148	40,000	4,427,148
Total net assets, end of year.....	\$ 9,117,296	\$ 186,912	\$ 9,304,208

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Rental income	\$ 2,271,550	\$ -	\$ 2,271,550
Scattered site housing/shelters.....	25,930,723	-	25,930,723
Revenue from government contracts	1,530,099	-	1,530,099
Interest	364	-	364
Special events, net.....	53,611	-	53,611
Contributions	200,534	25,000	225,534
Gain on sales of property and equipment	843,582	-	843,582
Other	111,220	-	111,220
Release of restrictions on grants payable	695,252	-	695,252
Net assets released from restriction	-	-	-
TOTAL REVENUE AND SUPPORT	31,636,935	25,000	31,661,935
FUNCTIONAL EXPENSES:			
Program services.....			
County funded emergency shelters.....	23,027,167	-	23,027,167
Permanent housing.....	3,195,696	-	3,195,696
Home grant programs.....	1,243,886	-	1,243,886
Other programs.....	583,380	-	583,380
Total Program Services.....	28,050,129	-	28,050,129
Supporting Services			
Management and general.....	2,735,981	-	2,735,981
Fundraising.....	119,311	-	119,311
TOTAL EXPENSES	30,905,421	-	30,905,421
CHANGE IN NET ASSETS	731,514	25,000	756,514
Net assets, beginning of year.....	3,655,634	15,000	3,670,634
Total net assets, end of year.....	\$ 4,387,148	\$ 40,000	\$ 4,427,148

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services					Supporting Services			
	County Funded Emergency Shelters	Permanent Housing	Home Grant Programs	Other Programs	Total Program Services	Management and General	Fundraising	Total Expenses	Direct Cost of Special Events
Salaries.....	\$ 7,279,280	\$ 331,218	\$ 224,349	\$ 353,007	\$ 8,187,854	\$ 2,268,025	\$ 62,323	\$ 10,518,202	\$ -
Fringe benefits and payroll taxes.....	1,528,254	76,171	52,762	63,851	1,721,038	411,623	19,909	2,152,570	-
Advertising.....	16,604	712	99	1,092	18,507	1,356	99	19,962	2,330
Continuing education	-	-	-	-	-	-	-	-	-
Depreciation and amortization.....	245,273	658,041	-	-	903,314	6,653	-	909,967	-
Conference, dues and subscriptions.....	944	97	-	9,415	10,456	2,125	1,316	13,897	-
Food.....	1,255,794	-	-	-	1,255,794	846	-	1,256,640	15,088
Interest expense.....	109,899	153,754	-	673	264,326	35,699	-	300,025	-
Interest expense - debt issuance costs.....	-	-	-	-	-	15,916	-	15,916	-
Insurance	372,958	237,692	-	4,578	615,228	24,827	-	640,055	-
Licenses and permits.....	4,318	7,802	595	169	12,884	1,130	6	14,020	-
Office expense.....	126,150	5,594	2,675	2,810	137,229	68,007	2,447	207,683	120
Professional fees.....	54,881	107,253	4,341	283,926	450,401	218,694	3,215	672,310	600
Rent	10,472,112	30,335	20,461	90,656	10,613,564	178,088	7,731	10,799,383	-
Equipment rental.....	23,729	7,068	-	5,803	36,600	24,396	629	61,625	-
Repairs and maintenance.....	892,681	564,873	11	7,981	1,465,546	164,556	11,348	1,641,450	1,043
Security.....	921,006	5,334	-	9	926,349	961	84	927,394	-
Real estate taxes.....	9,412	140,671	-	-	150,083	-	-	150,083	-
Telephone.....	86,967	15,193	2,473	3,393	108,026	28,172	801	136,999	-
Training.....	13,904	155	244	294	14,597	5,251	1,511	21,359	-
Travel.....	56,731	28,230	7,948	1,435	94,344	28,353	3,679	126,376	76
Utilities.....	475,052	286,145	4,543	2,457	768,197	9,303	882	778,382	-
Bad debt expense.....	-	-	-	-	-	-	-	-	-
Grant expenses pass through.....	-	-	876,703	-	876,703	-	-	876,703	-
Other expenses.....	104,652	11,971	850	8,632	126,105	32,592	3,061	161,758	-
Total.....	<u>\$ 24,050,601</u>	<u>\$ 2,668,309</u>	<u>\$ 1,198,054</u>	<u>\$ 840,181</u>	<u>\$ 28,757,145</u>	<u>\$ 3,526,573</u>	<u>\$ 119,041</u>	<u>\$ 32,402,759</u>	<u>\$ 19,257</u>

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services					Supporting Services			
	County Funded Emergency Shelters	Permanent Housing	Home Grant Programs	Other Programs	Total Program Services	Management and General	Fundraising	Total Expenses	Direct Cost of Special Events
Salaries.....	\$ 6,692,994	\$ 450,357	\$ 289,457	\$ 209,231	\$ 7,642,039	\$ 1,620,584	\$ 69,766	\$ 9,332,389	\$ -
Fringe benefits and payroll taxes.....	1,542,725	114,136	71,730	61,399	1,789,990	316,495	16,768	2,123,253	-
Advertising.....	2,907	5,739	-	2,214	10,860	8,945	67	19,872	3,065
Continuing education.....	237	-	-	-	237	-	-	237	-
Depreciation and amortization.....	216,396	719,698	-	-	936,094	41,832	-	977,926	-
Conference, dues and subscriptions.....	4,625	260	200	8,557	13,642	6,423	3,440	23,505	-
Food.....	1,201,477	-	-	-	1,201,477	-	-	1,201,477	8,165
Interest expense.....	108,943	157,778	-	-	266,721	67,736	-	334,457	-
Interest expense - debt issuance costs.....	-	-	-	-	-	24,635	-	24,635	-
Insurance.....	425,390	202,520	-	6,380	634,290	25,661	-	659,951	-
Licenses and permits.....	971	6,408	-	155	7,534	300	-	7,834	-
Office expense.....	114,994	7,137	2,647	5,198	129,976	58,062	1,665	189,703	200
Professional fees.....	66,309	118,628	47,533	92,462	324,932	130,566	27	455,525	1,500
Rent.....	10,170,160	39,028	30,086	92,396	10,331,670	132,177	7,281	10,471,128	-
Equipment rental.....	25,963	18,470	-	5,573	50,006	24,517	767	75,290	-
Repairs and maintenance.....	903,435	726,307	1,912	3,225	1,634,879	151,036	6,311	1,792,226	319
Security.....	758,541	1,773	-	-	760,314	819	20	761,153	-
Real estate taxes.....	15,120	208,000	-	-	223,120	-	-	223,120	-
Telephone.....	104,136	17,974	2,805	4,915	129,830	27,918	487	158,235	-
Training.....	24,157	1,843	1,035	620	27,655	4,793	2,826	35,274	-
Travel.....	70,485	32,763	8,813	6,278	118,339	23,478	5,541	147,358	-
Utilities.....	480,498	354,522	5,482	1,827	842,329	46,793	469	889,591	-
Bad debt expense.....	238	-	-	-	238	-	-	238	-
Grant expenses pass through.....	-	-	780,500	-	780,500	-	-	780,500	-
Other expenses.....	96,466	12,355	1,686	82,950	193,457	23,211	3,876	220,544	-
Total.....	<u>\$ 23,027,167</u>	<u>\$ 3,195,696</u>	<u>\$ 1,243,886</u>	<u>\$ 583,380</u>	<u>\$ 28,050,129</u>	<u>\$ 2,735,981</u>	<u>\$ 119,311</u>	<u>\$ 30,905,421</u>	<u>\$ 13,249</u>

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

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

2019 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets.....	\$	4,877,060	\$	756,514
---------------------------	----	-----------	----	---------

Adjustments to reconcile change in net assets to net cash
used in operating activities:

Bad debt expense.....	-	-	238	-
Depreciation and amortization.....	909,967	909,967	977,926	977,926
Interest expense - debt issuance costs.....	15,916	15,916	24,635	24,635
Release of restrictions on grants payable.....	(1,174,956)	(1,174,956)	(695,252)	(695,252)
Gain on sales of property equipment.....	(5,127,558)	(5,127,558)	(843,582)	(843,582)
Investment in limited partnership.....	-	-	(1,070)	(1,070)

Changes in operating assets and liabilities:

Accounts receivable and accrued revenues.....	416,205	416,205	(501,207)	(501,207)
Prepaid expenses and other current assets.....	287,851	287,851	381,008	381,008
Security deposits and other assets.....	(13,993)	(13,993)	83,838	83,838
Contract advances and due to government agencies.....	120,837	120,837	(245,628)	(245,628)
Accounts payable and accrued expenses.....	(235,288)	(235,288)	(109,377)	(109,377)
Deposits payable.....	(6,558)	(6,558)	14,363	14,363

NET CASH USED IN OPERATING ACTIVITIES	69,483	69,483	(157,594)	(157,594)
--	--------	--------	-----------	-----------

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales of property.....	7,315,341	7,315,341	1,556,124	1,556,124
Purchases of property and equipment	(280,636)	(280,636)	(127,617)	(127,617)

NET CASH PROVIDED BY INVESTING ACTIVITIES	7,034,705	7,034,705	1,428,507	1,428,507
--	-----------	-----------	-----------	-----------

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from lines of credit.....	(2,842,073)	(2,842,073)	61,091	61,091
Repayments of lines of credit	1,000,000	1,000,000	(200,451)	(200,451)
Repayments of grants payable.....	(24,905)	(24,905)	(151,742)	(151,742)
Repayments of notes payable.....	(22,814)	(22,814)	(94,154)	(94,154)
Repayments of mortgages payable.....	(411,702)	(411,702)	(202,894)	(202,894)

NET CASH USED IN FINANCING ACTIVITIES	(2,301,494)	(2,301,494)	(588,150)	(588,150)
--	-------------	-------------	-----------	-----------

Net change in cash and cash equivalents.....	4,802,694	4,802,694	682,763	682,763
--	-----------	-----------	---------	---------

Cash and cash equivalents, beginning of year.....	2,236,920	2,236,920	1,554,157	1,554,157
---	-----------	-----------	-----------	-----------

Cash and cash equivalents, end of year.....	\$ 7,039,614	\$ 7,039,614	\$ 2,236,920	\$ 2,236,920
---	--------------	--------------	--------------	--------------

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid for interest.....	\$ 300,025	\$ 300,025	\$ 334,457	\$ 334,457
-----------------------------	------------	------------	------------	------------

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 - ORGANIZATION

Community Housing Innovations, Inc. ("CHI") was organized in New York in 1991 as a nonprofit corporation for the purpose of establishing, maintaining, and operating transitional housing and to develop permanent housing for homeless and low-income individuals and families. CHI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, it is publicly supported, as described in Section 509(a) of the Internal Revenue Code.

The consolidated financial statements of CHI include assets, liabilities, net assets and results of operations of CHI and its subsidiaries, as shown below:

CHI Mount Vernon, Inc.

This entity is a nonprofit organization established to undertake activities that provide low and moderate income families and individuals with affordable rental and homeownership opportunities in the City of Mount Vernon, New York. All 2018 and 2019 transactions for CHI Mt. Vernon Inc., are included within CHI.

CHI Yonkers, Inc.

This entity is a nonprofit organization established to undertake activities that provide low and moderate income families and individuals with affordable rental and homeownership opportunities in the City of Yonkers, New York. All 2018 and 2019 transactions for CHI Yonkers, Inc. are included within CHI.

CHI Development Corporation

This entity is a wholly owned for-profit corporate subsidiary of CHI, whose purpose is to develop affordable housing.

CHI Realty Division

This entity provides property management services for other corporations and may engage in real estate services that help facilitate CHI in carrying out its missions and objectives.

Mayfair Housing Development Fund Company, Inc.

This entity is a nonprofit organization established to develop a housing project for persons of low income in the State of New York.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Community Housing Innovations, Inc. and its affiliated entities (hereinafter, collectively, "the Organization"), as defined above, is presented to assist in understanding the Organization's consolidated financial statements. The consolidated financial statements and notes are representations of the Organization's management, who is responsible for the integrity and objectivity of the consolidated financial statements.

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Organization as discussed above. Accordingly, all intercompany transactions and accounts have been eliminated in consolidation.

Basis of Presentation and Use of Estimates: The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. These consolidated financial statements have been prepared on the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when incurred.

Recent Accounting Pronouncements: During the year ended December 31, 2018, the Organization adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to both years.

On January 1, 2019, the Organization adopted ASU 2014-09, Revenue from Contracts with Customers, and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. The Organization's services that fall within the scope of ASC 606 are presented within rental income, scattered site housing/shelters, and government grants and contract revenue and are recognized as revenue as the Organization satisfies its obligations to the tenants and other consumers. There was no impact on net assets attributable to the adoption of ASC 606.

Consolidated Financial Statement Presentation: The Organization is required 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 stipulations and may be expended for any purpose in performing the primary objectives of the Organization.

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 the Organization 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 consolidated statements of activities.

Cash and Cash Equivalents: For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid fixed income investments with a maturity of three months or less at the time of purchase to be cash equivalents.

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accounts Receivable: Accounts receivable and accrued revenues consist primarily of amounts owed to the Organization for the provision of transitional housing and other types of housing for the homeless in Suffolk, Nassau, Dutchess, Westchester, and Orange counties and various other receivables. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for estimated uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment on the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in accounts receivable. As of December 31, 2019 and 2018, the total allowance for doubtful accounts was \$9,345 and \$39,937, respectively. Substantially all of the receivables were collected subsequent to year-end.

Property and Equipment: Fixed assets are stated at cost. Furniture and equipment as well as improvements to the buildings with a cost of \$750 or more are capitalized. Fixed assets other than land are depreciated utilizing the straight-line method over the estimated useful life of the related assets which range from 3 to 40 years. Useful lives are determined based on the Suffolk County reimbursable cost manual and other appropriate schedules as follows, which in the opinion of management, approximates the economic life of the assets.

Buildings and capital improvements	10-40 years
Furniture and fixtures	5-7 years
Computer equipment	3-5 years
Motor vehicles	5 years

CHI's governmental contracts through Suffolk County permit the expensing of up to \$25,000 of capital additions annually and accordingly such purchases are charged to expense.

Debt Issuance Costs: Debt issuance costs are reported on the consolidated statements of financial position as a direct deduction from the face amount of the debt. The debt issuance costs are being amortized over the term of the debt on a method that approximates the effective interest method. CHI reflects amortization of debt issuance costs with interest expense, in accordance with U.S. GAAP.

Contributions: Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give that are due beyond one year are discounted to reflect the present value of future cash flows using a risk adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Conditional promises to give are recognized when the conditions upon which they depend have been substantially met.

Rental Income and Prepaid Rent: Rental income is recognized for apartment rentals as it accrues. Advance receipts of rental income are deferred and classified as liabilities until earned.

In-kind Contributions: Donated services are reported in the consolidated financial statements at fair value, if those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and that would typically be purchased if not provided by donation. CHI benefits from volunteer services in program, fundraising, and administrative duties from Board members and other

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

volunteers. Even though these donated services are valuable to CHI, and help to advance CHI's mission, no amounts have been reflected in the consolidated financial statements for contributed services inasmuch as such services do not meet the criteria for recognition in the consolidated financial statements, nor do they create or enhance nonfinancial assets.

Functional Allocation of Expenses: The costs of providing CHI's various programs and other activities have been summarized on a functional basis in the accompanying consolidated financial statements. Accordingly, costs have been directly charged to the programs they benefit. Where costs can't be directly charged, they have been allocated among programs and supporting services benefited based on management's assessment of the benefit derived. Allocation methodologies for the most significant expenditures include the following:

- Salaries are allocated based on an estimate of time spent on program related functions and general and administrative activities.
- Fringe benefits and payroll taxes are allocated on an estimate of time spent on program related functions and general and administrative activities.
- Rent and other occupancy costs (e.g. utilities, repairs and maintenance, insurance, etc.) are allocated based upon the space utilized by each program.

Third Party Reimbursements: CHI receives substantially all of its funding from governmental agencies. These revenues are comprised of fee-based billings and amounts based, in part, on cost reimbursements, and are subject to audit by the United States Department of Housing and Urban Development ("HUD"), and other federal, state, and local agencies. Grants and contracts, including those with the various counties, are subject to review, audit, and adjustment by the funding sources. In the opinion of management, any possible disallowances by any related governmental agencies resulting from an audit will not have a material effect on the accompanying consolidated financial statements.

Income Taxes: CHI recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that CHI had no uncertain tax positions that would require financial statement recognition or disclosure. CHI did not conduct unrelated business activities during the years ended December 31, 2019 or 2018.

CHI files an IRS form 990 and respective state tax returns. These tax returns are subject to review and examination by federal and state taxing authorities. CHI has determined that it has registered in all states where it is required to be registered.

Reclassifications: Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements.

Events Occurring After the Report Date: The Organization has evaluated events and transactions that occurred between January 1, 2020 and May 13, 2020, which is the date the consolidated financial statements were available to be issued, for possible disclosure and recognition in the consolidated financial statements.

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash and investments in several bank and securities accounts that are insured by the Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC"). From time to time, the Organization may have cash on deposits and investments with financial institutions that are in excess of FDIC and SIPC limits. CHI's management does not believe that a significant risk of loss due to failure of a financial institution presently exists.

CHI has minimal credit risk with respect to its accounts receivable.

CHI generated scattered housing site revenue of \$26,840,863 and \$25,930,723 for the years ended December 31, 2019 and 2018, respectively. Scattered site housing generated 72% and 82% of the Organization's total revenues for the years ended December 31, 2019 and 2018, respectively.

The following chart outlines the concentrations within the scattered housing site locations for the years ended December 31,:

	2019	2018
Dutchess County	7%	6%
Westchester County	10%	10%
Suffolk County	74%	74%
Orange County	6%	7%
Nassau County	3%	3%
Total	100%	100%

The operations of CHI's subsidiaries are concentrated in the multifamily and low and moderate income real estate markets. These projects operate in a heavily regulated environment. The operations of these projects are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by such regulatory 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.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31,:

	2019	2018
Land	\$ 2,012,454	\$ 2,250,319
Buildings and building improvements.....	22,277,896	25,934,796
Furniture and fixtures	482,326	482,326
Computer equipment.....	210,827	210,827
Vehicles	117,509	111,733
Total cost	25,101,012	28,990,001
Less: accumulated depreciation.....	(10,484,051)	(11,555,927)
Property and equipment, net	\$ 14,616,961	\$ 17,434,074

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4 - PROPERTY AND EQUIPMENT *(continued)*

In 2019, there was a sale of property with a net book value of \$2,103,746 resulting in a gain of \$5,127,558. In 2018, there was a sale of property and equipment with a net book value of \$712,540 resulting in a gain of \$843,582. In addition, in 2018, CHI disposed of a building because of termination of an agreement in the amount of \$3,000,000.

NOTE 5 - GRANTS PAYABLE

Grants payable consist of grants provided to CHI, which CHI is not required to repay, as long as the properties that were acquired and/or renovated with the grant funds are used to provide qualified housing within the grant requirements for a specified period of time. Grants payable outstanding were from the following sources as of December 31,:

	<u>2019</u>	<u>2018</u>
Homeless Housing Assistance Corporation (A).....	\$ 5,565,955	\$ 5,565,955
HUD Supportive Housing Projects (B)	961,175	1,292,234
Islip Community Development Agency (C)	1,461,711	1,461,711
Westchester County (D)	688,000	786,074
Other (E)	481,887	1,252,615
Total cost	<u>\$ 9,158,728</u>	<u>\$ 10,358,589</u>

(A) Homeless Housing Assistance Corporation (“HHAC”) - CHI received numerous mortgages from the Homeless Housing Assistance Corporation to purchase and renovate properties to be used to provide affordable housing in accordance with agreed occupancy and rent restrictions. CHI is required to operate these properties under these restrictions for twenty-five years. CHI is not required to make any payments on these mortgages unless they cease using the properties for their intended purposes, in which case the mortgages would become immediately due in their entirety. After twenty-five years, the mortgages will expire and be forgiven. The loans will be forgiven between the years ending December 31, 2021 and 2039.

(B) HUD Supportive Housing Projects - Grants from HUD are to provide scattered site housing in Suffolk and Nassau Counties under the Stewart B. McKinney Homeless Assistance Act. No principal or interest payments are due. The loans on these properties will be forgiven, barring default, over the last ten years of the loans. The amount to be forgiven in each year ending December 31, is listed in the table below.

(C) Islip Community Development Agency (“CDA”) - CHI received funding from the Islip CDA to acquire and renovate two properties in Islip to be used for Housing Opportunities for Persons With AIDS (“HOPWA”). If the loans are utilized for their intended purpose, the loans will be forgiven in 2022 and 2028. If additional HOPWA funds are requested, the loan forgiveness date can be extended for three to ten years based upon the level of funds requested. While a ten-year use period exists for HOPWA, the Town of Islip CDA allows for recoupment of funds even after the ten-year use period expires.

(D) Westchester County - Property acquisition grants are used to purchase and develop a vacant lot

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 5 - GRANTS PAYABLE *(continued)*

(E) located in Westchester County. Grant funds transfer to the home buyer through a note, mortgage, and deed restriction for a period of not less than fifty years. At December 31, 2019 the balances on the two grants related to the properties were paid in full. The 2018 balances on the two grants related to the properties were \$98,074. In 2017, CHI entered into a grant agreement in the amount of \$688,000 with Westchester County that conveyed a property to CHI restricted for the rehabilitation of four affordable housing rental units that will provide affordable housing in Westchester County for a period of fifty years. The balance of the grants payable at December 31, 2019 and 2018 was \$688,000.

(F) **Other** - CHI has grants with several counties that were provided for acquisition and renovation of scattered site supportive housing.

As long as these grants are used for the intended purposes, they will be forgiven during the years ending December 31, as follows:

	HHAC	HUD	Islip CDA	Westchester County	Other	Total
2020.....	\$ 769,114	\$ 253,920	\$ -	\$ -	\$ 288,317	\$ 1,311,351
2021.....	575,000	227,438	-	-	-	802,438
2022.....	412,305	226,695	680,504	-	-	1,319,504
2023.....	-	131,506	-	-	-	131,506
2024.....	780,000	121,616	-	-	-	901,616
Thereafter	3,029,536	-	781,207	688,000	193,570	4,692,313
	<u>\$ 5,565,955</u>	<u>\$ 961,175</u>	<u>\$ 1,461,711</u>	<u>\$ 688,000</u>	<u>\$ 481,887</u>	<u>\$ 9,158,728</u>

NOTE 6 - MORTGAGES PAYABLE

CHI and its subsidiaries have purchased properties that were financed with mortgage liabilities from various financial institutions. Interest rates on these obligations range from 3.79% to 7.50% with maturity dates from June 2021 through December 2027. In 2017, CHI refinanced three of the mortgages through the issuance of a mortgage note in the amount of \$2,565,582. The amount outstanding as of December 31, 2019 and 2018 was \$4,462,972 and \$4,874,674, respectively. Interest expense for 2019 and 2018 was \$243,788 and \$259,835, respectively. The property financed by each mortgage serves as collateral.

Annual maturities of the mortgage principals for the years ending December 31 are payable as follows:

2020	\$ 187,503
2021	190,407
2022	187,573
2023	197,517
2024	207,721
Thereafter	3,492,251
	<u>4,462,972</u>
Less unamortized debt issuance costs	(125,800)
	<u>\$ 4,337,172</u>

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7 - LINES OF CREDIT

On December 5, 2017, CHI secured a line of credit from People's Bank (the "Bank") totaling \$2,450,000, maturing on December 2022. The line of credit interest rate is charged on the outstanding principal balance from the date of issuance until the maturity date at a variable rate of the greater of either (a) one-month LIBOR plus 2% or (b) the prime rate, which at no time can be less than 3.25%. CHI had no outstanding balance on the line of credit as of 2019. At December 31, 2018, CHI owed \$1,703,595 on the line. Interest expense for 2019 and 2018 was \$35,245 and \$67,736, respectively. CHI has granted the Bank a first priority continuing lien on twenty-four of its properties.

On September 7, 2016, Leviticus Fund ("Leviticus") extended a secured line of credit to CHI in the amount of \$950,000. The proceeds of the line of credit were to be used by CHI to finance the placement of manufactured homes in Westchester County, New York to households earning up to 89% of the area median income. The terms of the line of credit were for three years expiring on September 7, 2019, with draws permitted in the first thirty months. The line of credit bore interest on the outstanding principal amount at a rate of 6% per annum and required interest-only payments with principal payments due at the earlier of the closing on the sale of the last unsold manufactured home funded under the line of credit, or loan maturity. Interim principal payments were due as each home funded by the line was sold. The loan was fully repaid during 2019. The total amount outstanding on the line at December 31, 2018 was \$138,477. In 2019 and 2018, interest of \$3,300 and \$12,489, respectively, was incurred and included in the cost of property sold.

NOTE 8 - CAPITAL RELEASED FROM REGULATORY LIEN

In 2019 and 2018, \$443,114 and \$344,883, respectively, of grants payable for HUD Supporting Housing Projects was recognized as revenue in satisfaction of the terms of the underlying debt. In addition, in 2019 and 2018, \$633,768 and \$350,369, respectively, of grants payable for Nassau County Recapture Mortgages was recognized as revenue in satisfaction of the terms of the underlying debt.

NOTE 9 - RETIREMENT PLAN

The Organization has an IRS approved 401(k) profit sharing plan and trust for all eligible employees. To qualify for the plan, employees must be at least twenty-one years of age and have completed 1,000 hours of service. Employees are entitled to a 3% safe harbor contribution regardless of whether they contribute to the plan or not. Employees are fully vested upon completing their first year of employment. In 2019 and 2018, the Organization has recorded a safe harbor pension expense of \$201,096 and \$149,290, respectively.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Operating Leases

CHI leases numerous sites of real property for the housing of its constituents. As of December 31, 2019, the majority of rental commitments under these leases were cancellable by CHI upon thirty days written notice.

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 10 - COMMITMENTS AND CONTINGENCIES *(continued)*

Future minimum lease commitments for non-cancellable leases at December 31, 2019, are payable as follows for the years ending December 31:

2020	\$	285,928
2021		292,868
2022		163,752
2023		155,323
2024		12,970
	\$	<u>910,841</u>

Employee Contract

During 2019, the Organization's Board agreed to provide a retirement supplement totaling \$750,000 to the Organization's long-time Executive Director. Pursuant to the plan, the Organization is paying the Executive Director a retirement bonus of \$750,000 over two-years, with \$375,000 payable in 2019 and 2020. In order to earn the bonus, the Executive Director must provide the Organization with full time service during the pay-out period.

NOTE 11 - LIQUIDITY AND AVAILABILITY

CHI's financial assets available within one year of the statement of financial position date for general expenditures are as follows at December 31,:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents.....	\$ 7,039,614	\$ 2,236,920
Accounts receivable and accrued revenues, net.....	4,923,186	5,338,321
Total financial assets available within one year	11,962,800	7,575,241
Less:		
Net assets with donor restrictions.....	(186,912)	(40,000)
Total financial assets available within one year for general expenditures	<u>\$ 11,775,888</u>	<u>\$ 7,535,241</u>

As part of CHI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 12 - SUBSEQUENT EVENTS

Pursuant to the CARES Act, which was issued in response to the COVID-19 pandemic, CHI applied for and has qualified for a Paycheck Protection Program loan for approximately \$2.2 million through the Small Business Administration. This loan bears interest at 1% and is payable in eighteen equal installments commencing in November 2020. The loan can be utilized to cover certain compensation, benefits, rent, and utilities. A portion of the loan may be forgiven if any of CHI's expenditures qualify for such forgiveness. While the pandemic is causing strains on the Organization's program staffing levels, which must be

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 - SUBSEQUENT EVENTS *(continued)*

maintained at shelter sites, management does not believe that it will have a long-term effect on CHI's operations. Even so, the related financial impact and duration cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

	Community Housing Innovations, Inc.	CHI Realty	Eliminations	Consolidated
ASSETS				
Current Assets:				
Cash and cash equivalents.....	\$ 6,941,673	\$ 97,941	\$ -	\$ 7,039,614
Accounts receivable and accrued revenue, net.....	4,923,186	-	-	4,923,186
Prepaid expenses and other current assets.....	92,913	1,744	-	94,657
TOTAL CURRENT ASSETS	11,957,772	99,685	-	12,057,457
Security deposits and other assets.....	216,205	-	-	216,205
Property and equipment, net.....	14,616,961	-	-	14,616,961
TOTAL ASSETS	\$ 26,790,938	\$ 99,685	\$ -	\$ 26,890,623
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Current portion of mortgages payable.....	\$ 167,228	\$ -	\$ -	\$ 167,228
Current portion of notes payable.....	24,835	-	-	24,835
Current portion of lines of credit.....	-	-	-	-
Current portion of grants payable.....	1,311,351	-	-	1,311,351
Contract advances and due to government agencies.....	642,289	-	-	642,289
Accounts payable and accrued expenses.....	3,263,998	82,000	-	3,345,998
Deposits payable.....	77,393	-	-	77,393
TOTAL CURRENT LIABILITIES	5,487,094	82,000	-	5,569,094
Mortgages payable, net of current portion.....	4,169,944	-	-	4,169,944
Notes payable, net of current portion.....	-	-	-	-
Lines of credit, net of current portion.....	-	-	-	-
Grants payable, net of current portion.....	7,847,377	-	-	7,847,377
TOTAL LIABILITIES	17,504,415	82,000	-	17,586,415
Net Assets:				
Without donor restrictions.....	9,099,611	17,685	-	9,117,296
With donor restrictions.....	186,912	-	-	186,912
TOTAL NET ASSETS	9,286,523	17,685	-	9,304,208
TOTAL LIABILITIES AND NET ASSETS	\$ 26,790,938	\$ 99,685	\$ -	\$ 26,890,623

See Independent Auditors' Report on Consolidated Financial Statements and Supplementary Information.

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

	Community Housing Innovations, Inc.	CHI Realty	Eliminations	Consolidated
ASSETS				
Current Assets:				
Cash and cash equivalents.....	\$ 2,236,920	\$ -	\$ -	\$ 2,236,920
Accounts receivable and accrued revenue, net.....	5,149,737	189,654	-	5,339,391
Prepaid expenses and other current assets.....	382,508	-	-	382,508
TOTAL CURRENT ASSETS	7,769,165	189,654	-	7,958,819
Security deposits and other assets.....	202,212	-	-	202,212
Property and equipment, net.....	17,434,074	-	-	17,434,074
TOTAL ASSETS	\$ 25,405,451	\$ 189,654	\$ -	\$ 25,595,105
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Current portion of mortgages payable.....	\$ 165,003	\$ -	\$ -	\$ 165,003
Current portion of notes payable.....	21,704	-	-	21,704
Current portion of lines of credit.....	138,477	-	-	138,477
Current portion of grants payable.....	1,017,932	-	-	1,017,932
Contract advances and due to government agencies.....	521,452	-	-	521,452
Accounts payable and accrued expenses.....	3,581,286	-	-	3,581,286
Deposits payable.....	83,951	-	-	83,951
TOTAL CURRENT LIABILITIES	5,529,805	-	-	5,529,805
Mortgages payable, net of current portion.....	4,567,955	-	-	4,567,955
Notes payable, net of current portion.....	25,945	-	-	25,945
Lines of credit, net of current portion.....	1,703,595	-	-	1,703,595
Grants payable, net of current portion.....	9,340,657	-	-	9,340,657
TOTAL LIABILITIES	21,167,957	-	-	21,167,957
Net Assets:				
Without donor restrictions.....	4,197,494	189,654	-	4,387,148
With donor restrictions.....	40,000	-	-	40,000
TOTAL NET ASSETS	4,237,494	189,654	-	4,427,148
TOTAL LIABILITIES AND NET ASSETS	\$ 25,405,451	\$ 189,654	\$ -	\$ 25,595,105

See Independent Auditors' Report on Consolidated Financial Statements and Supplementary Information.

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions			With Donor Restrictions		
	Community Housing Innovations, Inc.	CHI Realty	Consolidated Total	Community Housing Innovations, Inc.	CHI Realty	Consolidated Total
REVENUE AND SUPPORT:						
Rental income	\$ 1,860,882	\$ -	\$ 1,860,882	\$ -	\$ -	\$ -
Scattered site housing/shelters.....	26,840,863	-	26,840,863	-	-	-
Revenue from government contracts	1,695,559	-	1,695,559	-	-	-
Interest	69,417	-	69,417	-	-	-
Special events, net.....	59,705	-	59,705	-	-	-
Contributions	30,255	-	30,255	238,427	-	238,427
Gain on sales of property and equipment	5,127,558	-	5,127,558	-	-	-
Other	150,153	32,044	182,197	-	-	-
Release of restrictions on grants payable	1,174,956	-	1,174,956	-	-	-
Net assets released from restriction	91,515	-	91,515	(91,515)	-	(91,515)
TOTAL REVENUE AND SUPPORT	37,100,863	32,044	37,132,907	146,912	-	146,912
FUNCTIONAL EXPENSES:						
Program services.....						
County funded emergency shelters.....	24,050,601	-	24,050,601	-	-	-
Permanent housing.....	2,668,309	-	2,668,309	-	-	-
Home grant programs.....	1,198,054	-	1,198,054	-	-	-
Other programs.....	636,168	204,013	840,181	-	-	-
Total Program Services.....	28,553,132	204,013	28,757,145	-	-	-
Supporting services.....						
Management and general.....	3,526,573	-	3,526,573	-	-	-
Fundraising.....	119,041	-	119,041	-	-	-
TOTAL EXPENSES	32,198,746	204,013	32,402,759	-	-	-
CHANGE IN NET ASSETS	4,902,117	(171,969)	4,730,148	146,912	-	146,912
Net assets, beginning of year.....	4,197,494	189,654	4,387,148	40,000	-	40,000
Total net assets, end of year.....	\$ 9,099,611	\$ 17,685	\$ 9,117,296	\$ 186,912	\$ -	\$ 186,912

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions			With Donor Restrictions		
	Community Housing Innovations, Inc.	CHI Realty	Consolidated Total	Community Housing Innovations, Inc.	CHI Realty	Consolidated Total
REVENUE AND SUPPORT:						
Rental income	\$ 2,271,550	\$ -	\$ 2,271,550	\$ -	\$ -	\$ -
Scattered site housing/shelters.....	25,930,723	-	25,930,723	-	-	-
Revenue from government contracts	1,530,099	-	1,530,099	-	-	-
Interest	364	-	364	-	-	-
Special events, net.....	53,611	-	53,611	-	-	-
Contributions	200,534	-	200,534	25,000	-	25,000
Gain on sales of property and equipment	843,582	-	843,582	-	-	-
Other	81,174	30,046	111,220	-	-	-
Release of restrictions on grants payable	695,252	-	695,252	-	-	-
Net assets released from restriction	-	-	-	-	-	-
TOTAL REVENUE AND SUPPORT	31,606,889	30,046	31,636,935	25,000	-	25,000
FUNCTIONAL EXPENSES:						
Program services.....						
County funded emergency shelters.....	23,027,167	-	23,027,167	-	-	-
Permanent housing.....	3,195,696	-	3,195,696	-	-	-
Home grant programs.....	1,243,886	-	1,243,886	-	-	-
Other programs.....	555,659	27,721	583,380	-	-	-
Total Program Services.....	<u>28,022,408</u>	<u>27,721</u>	<u>28,050,129</u>	<u>-</u>	<u>-</u>	<u>-</u>
Supporting services.....						
Management and general.....	2,735,981	-	2,735,981	-	-	-
Fundraising.....	119,311	-	119,311	-	-	-
TOTAL EXPENSES	<u>30,877,700</u>	<u>27,721</u>	<u>30,905,421</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	729,189	2,325	731,514	25,000	-	25,000
Net assets, beginning of year.....	<u>3,468,305</u>	<u>187,329</u>	<u>3,655,634</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total net assets, end of year.....	<u>\$ 4,197,494</u>	<u>\$ 189,654</u>	<u>\$ 4,387,148</u>	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA #	Grant Number	Passed Through to Subrecipient	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Supportive Housing Program	14.235	NY0511L2T031710	N/A	\$ 42,777
Supportive Housing Program	14.235	NY0511L2T031811	N/A	20,452
Supportive Housing Program	14.235	NY0508L2T031710	N/A	55,932
Supportive Housing Program	14.235	NY0510L2T031710	N/A	7,538
Supportive Housing Program	14.235	NY0510L2T031811	N/A	57,238
Supportive Housing Program	14.235	NY0453L2T031710	Family Residences and Essential Enterprises	1,489
Supportive Housing Program	14.235	NY0453L2T031811	Family Residences and Essential Enterprises	24,767
Total Supportive Housing Program				210,193
Housing Opportunities for Persons with AIDS	14.241	NYH09F001	Town of Islip Community Development Agency	234,377
Housing Opportunities for Persons with AIDS	14.241	NYH10F001	Town of Islip Community Development Agency	626,423
Housing Opportunities for Persons with AIDS	14.241	NYH11F001	Town of Islip Community Development Agency	131,578
Housing Opportunities for Persons with AIDS	14.241	NYH12F001	Town of Islip Community Development Agency	6,574
Housing Opportunities for Persons with AIDS	14.241	NYH13F001	Town of Islip Community Development Agency	136,104
Housing Opportunities for Persons with AIDS	14.241	NYH14F001	Town of Islip Community Development Agency	175,478
Housing Opportunities for Persons with AIDS	14.241	NYH15F001	Town of Islip Community Development Agency	71,661
Housing Opportunities for Persons with AIDS	14.241	NYH16F001	Town of Islip Community Development Agency	79,517
Total Housing Opportunities for Persons with AIDS				1,461,711
Total U.S. Department of Housing and Urban Development				1,671,904
Total Expenditures of Federal Awards				\$ 1,671,904

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICY

The information in the accompanying Schedule of Expenditures of Federal Awards of CHI has been prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the accrual basis financial statements. CHI has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2 - FEDERAL AWARD ASSISTANCE

CHI has a contract with the United States Department of Housing and Urban Development, under its Housing Opportunities for Persons with AIDS ("HOPWA") program to establish, maintain, and operate transitional housing for homeless low-income individuals and families with an AIDS diagnosis. Between 2012 and 2018, CHI received HOPWA funding to purchase and renovate two properties in Islip. Pursuant to the respective grant agreements, the properties must be used for a period of at least ten years otherwise the grants must be repaid to HOPWA. Furthermore, if additional monies are received from HOPWA for additional renovations to these properties, the forgiveness term of these grants can be extended for three or ten years, depending on if such renovations are non-substantial or substantial, respectively. The grants are set to expire in 2023 and 2028 in the amounts of \$680,505 and \$781,207, respectively. At December 31, 2019, the outstanding balance of the forgivable HOPWA grants was \$1,461,711. There were no expenditures of HOPWA funds during the year ended December 31, 2019.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

Board of Directors of
Community Housing Innovations, Inc.
75 S Broadway #340
White Plains, NY 10601

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Community Housing Innovations, Inc. ("CHI"), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated May 13, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered CHI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of CHI's internal control. Accordingly, we do not express an opinion on the effectiveness of CHI's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of CHI's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CHI's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CHI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CHI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Corin & Associates LLP

May 13, 2020
Bohemia, New York



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE *UNIFORM GUIDANCE***

INDEPENDENT AUDITORS' REPORT

Board of Directors of
Community Housing Innovations, Inc.
75 S Broadway #340
White Plains, NY 10601

Report on Compliance for Each Major Federal Program

We have audited Community Housing Innovations, Inc.'s ("CHI") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget ("OMB") Compliance Supplement* that could have a direct and material effect on each of CHI's major federal programs for the year ended December 31, 2019. CHI's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of CHI's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CHI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CHI's compliance.

Opinion on Each Major Federal Program

In our opinion, CHI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of CHI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CHI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CHI's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cerini & Associates LLP

May 13, 2020
Bohemia, New York

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Section I: Summary of Auditors' Results

Consolidated Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Are any significant deficiencies identified?	<u> </u> Yes	<u> X </u> No
Is any noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major federal programs:

Are any material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Are any significant deficiencies identified?	<u> </u> Yes	<u> X </u> No
Type of auditors' report issued on compliance for major federal programs	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u> No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of federal program or cluster</u>
14.241	United States Department of Housing and Urban Development - Housing Opportunities for Persons with AIDS

Dollar threshold used to distinguish
between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No