

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

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT,
SUPPLEMENTARY INFORMATION, AND
AUDIT REPORT RELATED TO THE UNIFORM GUIDANCE**

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021



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COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

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FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Community Housing Innovations, Inc. and its subsidiaries
75 South Broadway Suite 340
White Plains, NY 10601



Report on the Audits of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Community Housing Innovations, Inc. (a “nonprofit organization”) and its subsidiaries (hereinafter collectively the “Organization”), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America (“GAAS”) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 these 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 the Organization’s ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audits 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 auditors' 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 GAAS and *Government 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 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 GAAS and *Government 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 audits 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, 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 the Organization'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, including the consolidating statements of financial position as of December 31, 2022 and 2021, the consolidating statements of activities for the years ended December 31, 2022 and 2021, and the lease schedule in accordance with ASC 842 for the years ended December 31, 2022 and 2021 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 supplemental information is fairly stated, in all material respects in relation to the consolidated financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 Schedule of Expenditure of Federal Awards 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 23, 2023 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 solely 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 the effectiveness of the Organization's 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.

Corvin & Associates LLP

May 23, 2023

Bohemia, New York

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents.....	\$ 15,858,677	\$ 11,213,575
Accounts receivable and accrued revenue, net of allowance for doubtful accounts.....	8,355,224	3,231,763
Prepaid expenses and other current assets.....	95,847	8,471
TOTAL CURRENT ASSETS	24,309,748	14,453,809
Security deposits and other assets.....	134,705	136,110
Property and equipment, net of accumulated depreciation.....	14,854,623	14,158,030
Operating lease right-of use-assets.....	86,374,554	39,986,671
TOTAL ASSETS	\$ 125,673,630	\$ 68,734,620
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of mortgages payable, net of deferred financing fees.....	\$ 198,421	\$ 180,060
Current portion of notes payable.....	9,718	-
Current portion of grants payable.....	813,517	1,401,168
Current portion of operating lease liability.....	19,524,614	8,796,518
Contract advances and due to government agencies.....	7,240,366	137,741
Accounts payable and accrued expenses.....	7,389,424	2,900,078
Employee Retention Tax Credits payable	-	1,908,998
Deposits payable.....	101,024	82,915
TOTAL CURRENT LIABILITIES	35,277,084	15,407,478
Mortgages payable, net of current portion and deferred financing fees.....	4,065,750	4,262,279
Notes payable, net of current portion.....	68,028	-
Operating lease liability, net of current portion.....	68,709,664	33,033,785
Grants payable, net of current portion.....	6,511,763	6,562,341
Contract advances and due to government agencies, net of current portion.....	1,262,377	736,305
TOTAL LIABILITIES	115,894,666	60,002,188
Net Assets:		
Without donor restrictions.....	9,775,178	8,714,806
With donor restrictions.....	3,786	17,626
TOTAL NET ASSETS	9,778,964	8,732,432
TOTAL LIABILITIES AND NET ASSETS	\$ 125,673,630	\$ 68,734,620

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, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Rental income	\$ 2,337,082	\$ -	\$ 2,337,082
Scattered site housing/shelters.....	45,915,762	-	45,915,762
Revenue from government contracts	1,656,109	-	1,656,109
CARES Act Funding:			
Employee Retention Tax Credits.....	-	-	-
Interest	3,087	-	3,087
Contributions	92,274	12,318	104,592
Gain on sales/disposal of property and equipment	283,146	-	283,146
Other	373,740	-	373,740
Release of restrictions on grants payable	638,229	-	638,229
Net assets released from restriction	26,158	(26,158)	-
TOTAL REVENUE AND SUPPORT	51,325,587	(13,840)	51,311,747
FUNCTIONAL EXPENSES:			
Program Services:			
County funded emergency shelters.....	42,240,405	-	42,240,405
Permanent housing.....	2,473,130	-	2,473,130
Home grant programs.....	1,037,778	-	1,037,778
Other programs.....	889,769	-	889,769
TOTAL PROGRAM SERVICES	46,641,082	-	46,641,082
Supporting Services:			
Management and general.....	3,552,620	-	3,552,620
Fundraising.....	71,513	-	71,513
TOTAL SUPPORTING SERVICES	3,624,133	-	3,624,133
TOTAL EXPENSES	50,265,215	-	50,265,215
CHANGE IN NET ASSETS	1,060,372	(13,840)	1,046,532
Net assets, beginning of year.....	8,714,806	17,626	8,732,432
Total net assets, end of year.....	<u>\$ 9,775,178</u>	<u>\$ 3,786</u>	<u>\$ 9,778,964</u>

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Rental income	\$ 2,138,729	\$ -	\$ 2,138,729
Scattered site housing/shelters.....	25,166,473	-	25,166,473
Revenue from government contracts	1,853,444	-	1,853,444
CARES Act Funding:			
Employee Retention Tax Credits.....	252,053	-	252,053
Interest	3,215	-	3,215
Contributions	213,486	129,174	342,660
(Loss) on sales/disposal of property and equipment	(345,700)	-	(345,700)
Other	320,211	-	320,211
Release of restrictions on grants payable	795,524	-	795,524
Net assets released from restriction	234,779	(234,779)	-
TOTAL REVENUE AND SUPPORT	30,632,214	(105,605)	30,526,609
FUNCTIONAL EXPENSES:			
Program Services:			
County funded emergency shelters.....	22,097,507	-	22,097,507
Permanent housing.....	2,310,657	-	2,310,657
Home grant programs.....	885,080	-	885,080
Other programs.....	946,089	-	946,089
TOTAL PROGRAM SERVICES	26,239,333	-	26,239,333
Supporting Services:			
Management and general.....	3,348,748	-	3,348,748
Fundraising.....	146,958	-	146,958
TOTAL SUPPORTING SERVICES	3,495,706	-	3,495,706
TOTAL EXPENSES	29,735,039	-	29,735,039
CHANGE IN NET ASSETS	897,175	(105,605)	791,570
Net assets, beginning of year.....	7,817,631	123,231	7,940,862
Total net assets, end of year.....	<u>\$ 8,714,806</u>	<u>\$ 17,626</u>	<u>\$ 8,732,432</u>

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services				Supporting Services				Total Expenses
	County Funded Emergency Shelters	Permanent Housing	Home Grant Programs	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries.....	\$ 10,641,445	\$ 178,498	\$ 272,267	\$ 262,919	\$ 11,355,129	\$ 2,171,483	\$ 38,307	\$ 2,209,790	\$ 13,564,919
Fringe benefits and payroll taxes.....	1,941,884	27,369	47,104	78,111	2,094,468	422,619	1,279	423,898	2,518,366
Advertising.....	44,450	308	6,194	-	50,952	2,535	4,703	7,238	58,190
Depreciation and amortization.....	413,342	611,069	-	-	1,024,411	1,226	-	1,226	1,025,637
Conference, dues and subscriptions.....	1,723	-	1,130	2,682	5,535	17,851	8,142	25,993	31,528
Food.....	2,459,228	-	148	2,520	2,461,896	-	4,622	4,622	2,466,518
Interest expense.....	106,413	127,598	-	-	234,011	-	-	-	234,011
Interest expense - debt issuance costs.....	-	-	-	21,235	21,235	-	-	-	21,235
Insurance.....	655,677	292,722	800	77,873	1,027,072	37,026	-	37,026	1,064,098
Licenses and permits.....	615	3,863	1,545	-	6,023	752	-	752	6,775
Office expense.....	231,418	7,475	13,906	6,318	259,117	66,161	343	66,504	325,621
Professional fees.....	70,695	80,476	3,659	75,450	230,280	143,075	200	143,275	373,555
Rent.....	19,187,201	20,113	34,154	321,249	19,562,717	209,133	6,039	215,172	19,777,889
Equipment rental.....	55,475	26,193	1,744	1,614	85,026	36,171	774	36,945	121,971
Repairs and maintenance.....	1,825,928	622,961	3,689	15,569	2,468,147	262,707	5,305	268,012	2,736,159
Security.....	3,318,093	15,703	-	-	3,333,796	2,746	-	2,746	3,336,542
Real estate taxes.....	349,147	76,360	423	-	425,930	20,752	91	20,843	446,773
Telephone.....	73,495	4,824	1,556	2,228	82,103	45,008	256	45,264	127,367
Training.....	11,797	375	5,235	310	17,717	8,410	125	8,535	26,252
Travel.....	40,518	5,055	4,826	9,975	60,374	28,086	-	28,086	88,460
Utilities.....	755,048	265,869	4,553	3,450	1,028,920	51,784	935	52,719	1,081,639
Bad debt expense.....	32,047	103,091	-	-	135,138	-	-	-	135,138
Grant expenses pass through.....	-	-	633,184	-	633,184	-	-	-	633,184
Other expenses.....	24,766	3,208	1,661	8,266	37,901	25,095	392	25,487	63,388
TOTAL EXPENSES	\$ 42,240,405	\$ 2,473,130	\$ 1,037,778	\$ 889,769	\$ 46,641,082	\$ 3,552,620	\$ 71,513	\$ 3,624,133	\$ 50,265,215

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services				Supporting Services				Total Expenses
	County Funded Emergency Shelters	Permanent Housing	Home Grant Programs	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries.....	\$ 6,835,807	\$ 221,839	\$ 243,003	\$ 317,437	\$ 7,618,086	\$ 1,938,403	\$ 67,732	\$ 2,006,135	\$ 9,624,221
Fringe benefits and payroll taxes.....	1,533,671	51,740	48,380	67,506	1,701,297	461,383	3,570	464,953	2,166,250
Advertising.....	14,923	136	4,962	1,225	21,246	10,587	11,117	21,704	42,950
Depreciation and amortization.....	280,813	601,182	-	-	881,995	4,854	-	4,854	886,849
Conference, dues and subscriptions.....	7,237	250	595	3,794	11,876	26,857	6,808	33,665	45,541
Food.....	1,167,114	-	-	-	1,167,114	316	-	316	1,167,430
Interest expense.....	95,711	132,245	-	-	227,956	-	-	-	227,956
Interest expense - debt issuance costs...	-	-	-	21,787	21,787	-	-	-	21,787
Insurance.....	444,824	323,598	-	47,136	815,558	36,032	-	36,032	851,590
Licenses and permits.....	1,177	8,643	-	-	9,820	966	30	996	10,816
Office expense.....	141,862	5,355	3,838	9,121	160,176	52,895	999	53,894	214,070
Professional fees.....	69,070	56,220	3,660	198,126	327,076	270,276	13,420	283,696	610,772
Rent.....	8,143,004	27,246	25,364	149,796	8,345,410	177,316	7,496	184,812	8,530,222
Equipment rental.....	28,529	6,272	724	721	36,246	46,043	598	46,641	82,887
Repairs and maintenance.....	1,235,422	551,471	203	66,961	1,854,057	183,730	6,770	190,500	2,044,557
Security.....	910,680	2,059	-	-	912,739	8,869	452	9,321	922,060
Real estate taxes.....	312,028	62,827	268	35	375,158	7,602	153	7,755	382,913
Telephone.....	56,357	5,365	2,522	1,767	66,011	15,549	403	15,952	81,963
Training.....	26,390	457	655	1,296	28,798	4,985	4,628	9,613	38,411
Travel.....	41,212	11,873	1,933	763	55,781	19,523	6,320	25,843	81,624
Utilities.....	724,450	229,712	4,330	2,413	960,905	58,155	1,196	59,351	1,020,256
Bad debt expense.....	-	-	-	50,000	50,000	-	-	-	50,000
Grant expenses pass through.....	-	-	544,115	-	544,115	-	-	-	544,115
Other expenses.....	27,226	12,167	528	6,205	46,126	24,407	15,266	39,673	85,799
TOTAL EXPENSES	\$ 22,097,507	\$ 2,310,657	\$ 885,080	\$ 946,089	\$ 26,239,333	\$ 3,348,748	\$ 146,958	\$ 3,495,706	\$ 29,735,039

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,**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets.....	\$ 1,046,532	\$ 791,570
<u>Adjustments to reconcile change in net assets to net cash provided by operating activities:</u>		
Bad debt expense.....	135,138	50,000
Depreciation and amortization.....	1,025,637	886,849
Noncash operating lease expense.....	18,164,110	9,735,835
Interest expense - debt issuance cost amortization.....	21,235	21,787
Release of restrictions on grants payable.....	(638,229)	(795,524)
Net loss on termination of leases.....	98,086	14,082
(Gain)/loss on sales/disposal of property and equipment.....	(283,146)	345,700
<u>Changes in operating assets and liabilities:</u>		
Accounts receivable and accrued revenues.....	(5,258,600)	1,419,847
Prepaid expenses and other current assets.....	(87,376)	82,602
Security deposits and other assets.....	1,405	(3,172)
Contract advances and due to government agencies.....	7,628,697	245,092
Accounts payable and accrued expenses.....	4,489,346	(379,595)
Employee Retention Tax Credits payable.....	(1,908,998)	1,908,998
Deposits payable.....	18,109	22,808
Operating lease liability payments.....	(18,246,104)	(9,825,843)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,205,842	4,521,036
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,439,084)	(549,457)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	87,464	-
Repayments of notes payable.....	(9,718)	(186,954)
Proceeds from mortgages payable	-	450,000
Repayments of mortgages payable.....	(199,402)	(195,885)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	(121,656)	67,161
Net change in cash and cash equivalents.....	4,645,102	4,038,740
Cash and cash equivalents, beginning of year.....	11,213,575	7,174,835
Cash and cash equivalents, end of year.....	<u>\$ 15,858,677</u>	<u>\$ 11,213,575</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Non-cash transaction recording of operating lease asset and related liability.....	<u>\$ 61,606,946</u>	<u>\$ 3,424,234</u>
Cash paid for interest.....	<u>\$ 234,011</u>	<u>\$ 227,956</u>

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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 2022 and 2021 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 2022 and 2021 transactions for CHI Yonkers, Inc. are included within CHI.

CHI West I Management Corporation

This entity is a for-profit corporate subsidiary of CHI, whose purpose is to provide management services to CHI. The entity had no operations and was dissolved in 2021.

CHI Realty, Inc.

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. During 2021, CHI began to receive a development fee for the occupied units. There was no activity in during the year ended December 31, 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Community Housing Innovations, Inc. and its subsidiaries (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, 2022 AND 2021

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.

Recently Adopted Accounting Pronouncements: During the year ended December 31, 2021, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842) Section A - Leases: Amendments To The FASB Accounting Standards Codification* using the modified retrospective approach. Under the modified retrospective approach, the guidance is applied to the most current period presented, recognizing a cumulative effect of the adoption change as an adjustment to beginning net assets. Under ASU 2016-02, the Organization is required to recognize leases on its consolidated statements of financial position and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; and ASU 2018-11, *Targeted Improvements*. The new standard establishes a right-of-use model ("ROU") that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than twelve months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities.

Upcoming Accounting Pronouncements: In March 2020, the FASB has issued Accounting Standards Update ASU 2020-04, *(Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU provides "optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued." The amendments in this Update apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. Management is currently evaluating the impact of this ASU.

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Effective for the year ending December 31, 2023, the Organization will be required to adopt ASC Topic 326, *Measurement of Credit Losses on Financial Instruments*, for all assets held at amortized cost basis. Under this new accounting approach, the pronouncement will require the Organization to record an estimate of all expected credit losses. The allowance for credit losses will be a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. Management is currently evaluating the effect of this guidance on its consolidated financial statements.

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: 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.

Accounts Receivable and Accrued Revenues, net: 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 New York City, 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 of 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, 2022 and 2021, the total allowance for doubtful accounts was \$60,425 and \$57,837, respectively.

Property and Equipment: Fixed assets are stated at cost. Furniture and equipment as well as improvements to the buildings with a cost of \$5,000 or more are capitalized. Fixed assets other than land are depreciated utilizing the straight-line method over the estimated useful lives of the related assets. Useful lives are determined based on the Suffolk County Reimbursable Cost Manual and other appropriate schedules as follows, which in the opinion of management, approximate the economic lives of the assets.

Buildings and building improvements.....	10-40 years
Furniture and fixtures	5-7 years
Computer equipment.....	3-5 years
Vehicles.....	5 years

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization's governmental contracts through Suffolk County permit the expensing of furniture and equipment up to \$1,500. These contracts are generally funded annually by Suffolk County and therefore furniture and equipment purchases are deemed to have a useful life of one year or less and therefore are expensed.

Debt Issuance Costs: Debt issuance costs are reported on the consolidated statements of financial position as a direct deduction from the face amount of related debt. The debt issuance costs are being amortized over the term of the debt on a method that approximates the effective interest method. The Organization 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.

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. The Organization benefits from volunteer services in program, fundraising, and administrative duties from Board members and other volunteers. Even though these donated services are valuable to the Organization, and help to advance the Organization'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.

Revenue Recognition (Including Government Grants): The Organization 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. Provisions for estimated settlements are provided in the period the related services are rendered. Settlements with third-party payers for retroactive revenue adjustments due to audits, review, or investigations are considered variable consideration and are included in the determination of the estimated transaction prices for providing services using the most likely outcome method. These settlements are estimated based on the terms of the payment agreements and rate methodologies with the payers, cost reports filed with the payers, correspondence from the payers, and historical rates and settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, (that is, new information becomes available), or as years are reconciled or no longer subject to such audits, reviews, and investigations. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

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.

The Organization recognizes revenue from government grants as revenue when eligible costs are incurred, or services are provided. A receivable is recognized to the extent revenue earned receives cash advances. Conversely, contract advances and due to government agencies are recorded when cash advances exceed support and revenue earned.

Operating Leases: In accordance with ASC 842, for all operating leases, the Organization has recognized a ROU asset and a lease liability at the commencement date. The lease liability was calculated based on the present value of the lease payments not yet paid, discounted using an appropriate discount rate at the commencement date. The ROU asset will initially be equal to the lease liability plus any initial direct costs and prepaid lease payments less any lease incentives received.

Under this approach, amortization of ROU assets are charged to lease expense, which is recorded on the straight-line basis over the term of each lease, unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis will be used.

The lease liability for an operating lease at any given time is calculated as the present value of the lease payments not yet paid, discounted by using the rate that was established on the lease commencement date.

The ROU asset, at any given time, is measured as the ROU asset balance at the beginning of the period, adjusted by the current-period ROU asset amortization, which is calculated as the current-period lease cost adjusted by the lease liability accretion to the then outstanding lease balance.

Changes in present value discount on operating leases are charged to the respective lease expense based upon the nature of the ROU asset that gave rise to the discount. See Note 10 for additional details on these leases.

ASC 842 permits a lessee to account for its leases at a portfolio level provided that the leases commenced at or around the same time and the resulting accounting at this level would not differ materially from the accounting at the individual lease level. The Organization has applied this approach for certain leases that are (1) similar in nature (e.g., similar underlying assets) and (2) have identical or nearly identical contract provisions. See Note 10 for additional details on these leases.

Functional Allocation of Expenses: The costs of providing the Organization'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:

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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, real estate taxes, security, etc.) are allocated based upon the space utilized by each program.

Income Taxes: The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization did not conduct unrelated business activities during the years ended December 31, 2022 or 2021.

The Organization 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. The Organization has determined that it has registered in all states where it is required to be registered.

Reclassifications: Certain changes were made to the prior year consolidated statement of cash flows for comparative purposes to conform to the presentation in the current year consolidated statement of cash flows. Specifically, the noncash operating lease expense and loss/(gain) on termination of leases is now presented under the section titled "Adjustments to reconcile change in net assets to net cash provided by operating activities." Additionally, the operating lease liability payments are presented in the section titled "Changes in operating assets and liabilities", and the total additional leases entered into for the years ended December 31, 2022 and 2021 are presented in the supplemental disclosures on the consolidated statement of cash flows.

Additionally, certain expenses were reclassified from management and general to other programs on the prior year consolidated statement of functional expenses for comparative purposes to conform to the presentation in the current year.

The total amount due to Office of Mental Health was reclassified from short-term to long-term on the consolidating statement of financial position for comparative purposes to conform to the presentation in the current year and properly reflect the short-term versus long-term obligation.

NOTE 3 - CONCENTRATION OF CREDIT RISK/DISAGGREGATED REVENUE

The Organization maintains cash and investments in several bank and securities accounts that are insured by the Federal Deposit Insurance Corporation ("FDIC") and the 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 the FDIC limit and SIPC limits.

Due to recent bank failures and other uncertainties affecting the banking sector, there may be greater financial and liquidity risk for uninsured deposits held at financial institutions. Although the FDIC has taken significant steps to protect uninsured deposits impacted by these bank failures, there are no assurances surrounding any potential future failures and their impacts on uninsured deposits in terms of both guarantees and the ability to access funds timely. The Organization's management does not believe that a significant risk of loss due to failure of a financial institution presently exists.

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 3 - CONCENTRATION OF CREDIT RISK/DISAGGREGATED REVENUE (continued)

The Organization disaggregates revenue from contracts with customers by the type of service as this depicts the nature, amount, timing, and uncertainty of its revenue and cash flows as affected by economic factors.

Revenue consists of the following for the years ended December 31,:

<u>Funding Source</u> <u>Revenue Recognized At a Point Time</u>	2022		2021	
	Revenue Amount	Percent of Total	Revenue Amount	Percent of Total
<u>Scattered Site Housing</u>				
Suffolk County	\$21,565,317	43%	\$18,208,341	60%
New York City	17,322,702	34%	-	-%
Westchester County	2,261,809	4%	2,423,372	8%
Dutchess County	1,877,355	4%	1,811,769	6%
Orange County	1,652,368	3%	1,689,918	6%
Nassau County	1,236,211	2%	1,033,073	3%
Total Scattered Site Housing	45,915,762	90%	25,166,473	83%
<u>Revenue Recognized Over Time</u>				
<u>Rental Income</u>				
Rental income (welfare, tenant, Section 8) ..	2,337,082	4%	2,138,729	7%
Total Revenue Subject to ASU 606	48,252,844	94%	27,305,202	90%
<u>Government Contracts and CARES Act Funding</u>				
NYS Office of Mental Health	821,887	2%	744,327	2%
NYS Affordable Housing Corporation	633,184	1%	544,115	2%
NYS Office of the Attorney General	105,687	-%	134,851	-%
Employee Retention Tax Credit	-	-%	252,053	1%
Other government contracts	95,351	-%	430,151	1%
Total Government Contracts and CARES Act Funding	1,656,109	3%	2,105,497	6%
<u>Contributions</u>				
Contributions	104,592	-	342,660	1%
<u>Other</u>				
Release of restrictions on grants payable	638,229	1%	795,524	3%
Gain/(loss) on sales/ disposal of property and equipment	283,146	1%	(345,700)	-1%
Miscellaneous	376,827	1%	323,426	1%
Total Other	1,298,202	3%	773,250	3%
Total Revenue not Subject to ASU 606	3,058,903	6%	3,221,407	10%
Total Revenue and Support	\$51,311,747		\$30,526,609	

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 3 - CONCENTRATION OF CREDIT RISK/DISAGGREGATED REVENUE (continued)

The Organization has minimal credit risk with respect to its accounts receivable.

The operations of the Organization'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.

For the years ended December 31, 2022 and 2021, scattered site housing receivables accounted for approximately 97% and 88% of total accounts receivables and accrued revenues, respectively. Approximately 1% of the scattered site receivable is due from client obligations, and the remaining portion of the outstanding scattered site receivables are due from various counties. The remaining receivables are a combination of government grants, contributions, rental income, and more.

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 1,664,504	\$ 1,698,004
Buildings and building improvements.....	24,240,553	23,856,999
Furniture and fixtures	835,092	311,880
Computer equipment.....	495,623	101,919
Vehicles	175,983	73,620
Total cost	<u>27,411,755</u>	<u>26,042,422</u>
Less: accumulated depreciation.....	<u>(12,557,132)</u>	<u>(11,884,392)</u>
Property and equipment, net	<u>\$ 14,854,623</u>	<u>\$ 14,158,030</u>

During the years ended December 31, 2022 and 2021, there were property sales which resulted in a net gain/(loss) of \$283,146 and (\$345,700), respectively. During the years ended, December 31, 2022 and 2021 the retirement of fully depreciated fixed assets was \$84,951 and \$3,322, respectively.

NOTE 5 - GRANTS PAYABLE

Grants payable consist of grants provided to the Organization, which the Organization 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.

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 5 - GRANTS PAYABLE (continued)

Grants payable outstanding were from the following sources as of December 31,:

	2022	2021
Homeless Housing Assistance Corporation (A).....	\$ 4,708,858	\$ 5,121,163
HUD Supportive Housing Projects (B).....	273,121	493,645
Islip Community Development Agency (C)..	1,461,711	1,461,711
Westchester County (D).....	688,000	688,000
Other (E).....	193,590	198,990
Total outstanding grants payable.....	\$ 7,325,280	\$ 7,963,509

(A) Homeless Housing Assistance Corporation (“HHAC”) - The Organization 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. The Organization is required to operate these properties under these restrictions for twenty-five years. The Organization 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. During 2022, the Office of Temporary and Disability Assistance (“OTDA”) forgave the mortgage on the project located at 678 Mamaroneck Avenue in Mamaroneck. During 2021, the OTDA forgave the mortgage on the project located at 46 DeKalb Avenue in White Plains. The remaining HHAC loans will be forgiven between the years ending December 31, 2024 and 2040.

(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”) - The Organization 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 2023 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 were used to purchase and develop a vacant lot located in Westchester County. In 2017, the Organization entered into a grant agreement in the amount of \$688,000 with Westchester County that conveyed a property to the Organization restricted for the rehabilitation of four affordable housing rental units that will provide affordable housing in Westchester County for a period of fifty years.

(E) Other - The Organization has grants with several counties that were provided for acquisition and renovation of scattered site supportive housing.

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 5 - GRANTS PAYABLE (continued)

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
2023.....	\$ -	\$ 133,012	\$ 680,505	\$ -	\$ -	\$ 813,517
2024.....	780,000	93,801	-	-	-	873,801
2025.....	-	46,308	-	-	64,590	110,898
2026.....	1,606,614	-	-	-	-	1,606,614
2027.....	-	-	-	-	-	-
Thereafter	2,322,244	-	781,206	688,000	129,000	3,920,450
	<u>\$ 4,708,858</u>	<u>\$ 273,121</u>	<u>\$ 1,461,711</u>	<u>\$ 688,000</u>	<u>\$ 193,590</u>	<u>\$ 7,325,280</u>

In 2022 and 2021, \$225,924 and \$220,524, respectively, of grants payable for HUD Supporting Housing Projects was recognized as revenue in satisfaction of the terms of the underlying debt. In 2022 and 2021, \$412,305 and \$575,000, respectively of grants payable for HHAC projects was recognized as revenue in satisfaction of the terms of the underlying debt.

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, the Organization refinanced three of the mortgages through the issuance of a mortgage note in the amount of \$2,565,582. During 2021, the Organization received a new mortgage with a total principal amount of \$450,000. The property financed by each mortgage serves as collateral.

Annual maturities of the mortgages' principal for the years ending December 31 are as follows:

	Principal Maturities	Amortization of Deferred Financing Fees	Net Maturities
2023.....	\$ 211,941	\$ (13,520)	\$ 198,421
2024.....	222,882	(12,971)	209,911
2025.....	234,949	(12,971)	221,978
2026.....	247,387	(12,971)	234,416
2027.....	245,494	(12,969)	232,525
Thereafter.....	3,179,890	(12,970)	3,166,920
Totals.....	<u>\$ 4,342,543</u>	<u>\$ (78,372)</u>	<u>\$ 4,264,171</u>

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7 - LINE OF CREDIT

On December 5, 2017, the Organization secured a line of credit from a bank totaling \$2,450,000, that matured 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 the bank's prime lending rate, which at no time will be less than 3.25%. The Organization had no outstanding balance on the line of credit as of December 31, 2022 and 2021. There was no interest expense for the year ended December 31, 2022 and 2021 related to the line. The Organization has granted the bank a first priority continuing lien on twenty-three of its properties. The line of credit was renewed subsequent to year-end, which resulted in modifications to the line of credit terms. The borrowing amount on the line of credit was increased to \$2,950,000 and was converted from committed to on demand. Additionally, as LIBOR is being discontinued, the LIBOR-based Rate will be replaced with Secured Overnight Financing Rate ("SOFR") plus 2.10%; with a floor of 0%. The Prime-based Rate shall no longer be offered. The financial covenants associated with the line of credit will be eliminated.

NOTE 8 - CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT

As a result of the CARES Act, the Organization was issued a long-term note maturing in twenty-four months for a total of \$2,244,000. The note was issued with a six-month deferral period that did not require payments to be made. Interest accrued on the unpaid principal, retroactive to the date of the loan, at a rate of 1.00% per annum. The loan was granted as part of the Paycheck Protection Program (hereinafter, "PPP") to help businesses impacted by the COVID-19 pandemic. Under the terms of the loan, a portion or all of the loan may be forgiven as a grant with the ultimate amount payable depending on the uses of the loan and the criteria set forth in the CARES Act, subsequent guidance and regulations. During the year ended December 31, 2020, the Organization recognized \$2,057,046 as a grant advance from the PPP loan, which represented the amount that management anticipated would be forgiven. During the year ended December 31, 2021, the Organization received forgiveness of \$2,057,046 in principal. The remaining \$186,954 portion that was not forgiven was repaid in full during 2021.

During the year ended December 31, 2021, the Organization received funding for the Employee Retention Tax Credits ("ERTC"). The ERTC allows eligible employers to claim a payroll tax credit per employee for qualified wages paid while closed or having reduced operations due to the COVID-19 pandemic. The Organization received a total amount of \$2,161,051. The Organization's deficit contracts covered most of their losses incurred by allowing the Organization to retain deficit funding to cover certain costs while also waiving certain contractual requirements, which resulted in the Organization only being able to retain a portion of the ERTC funding. The Organization recorded revenue of \$252,053 and recorded a liability of \$1,908,998 for the amount owed back to the Internal Revenue Service ("IRS")/United States Department of Treasury during the year ended and as of December 31, 2021, respectively. During 2022, the liability was repaid to the IRS in full.

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 2022 and 2021, the Organization has recorded a safe harbor pension expense of \$209,764 and \$222,587, respectively.

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Operating Leases:

The Organization leases numerous sites of real property for the housing of its constituents. The Organization has elected to adopt the practical expedient for accounting of non-lease costs embedded within leases by allocating non-lease costs to the total transaction price. Rent expense for facilities was \$21,490,965 and \$9,959,849 for the years ended December 31, 2022 and 2021, respectively. Included within rent expense for the year ended December 31, 2022 was \$19,777,889 in rent and \$1,713,076 in embedded costs (i.e. real property taxes, utilities, repairs, security expense, etc.). Included within rent expense for the year ended December 31, 2021 was \$8,530,222 in rent and \$1,429,627 in embedded costs (i.e. real property taxes, utilities, repairs, security expense, etc.).

As of December 31, 2022, the future minimum annual lease obligations under the above leases were as follows for the years ending December 31,:

2023	\$	20,204,182
2024		19,533,803
2025		19,088,774
2026		18,897,682
2027		8,207,127
Thereafter		10,929,242
Total		96,860,810
Less: present value discount.....		(8,626,532)
Present value of future lease payments		88,234,278
Less: short-term lease liabilities		(19,524,614)
Long-term lease liabilities.....	\$	68,709,664
 Months remaining.....		 1,403

The detailed future minimum payment schedules separated by each individual lease in accordance with ASC 842 can be found in the supplementary information on pages 30 and 31 of the consolidated financial statements as of December 31, 2022 and 2021, respectively.

- (a) The Organization entered into many leases for its Emergency Housing Apartment Program (“EHAP”) at various locations. Each EHAP lease has a term of approximately one to three years. The EHAP leases are transient in nature, which results in the Organization terminating and entering into new leases throughout the course of the year. There are over one hundred individual leases for various apartments at various addresses that were active during 2022. Since all of these leases operate for the benefit of one program, a practical expedient was utilized, and all leases are combined into one calculation for the right of use asset and liability.

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

- (b) During February of 2022, the Organization entered into a five-year lease for administrative office space at 75 South Broadway, White Plains, New York, expiring January of 2027. This lease calls for monthly payments ranging from \$12,502 to \$13,614 with escalations at various points during the lease term.
- (c) During September of 2021, the Organization entered into a seven-year lease for administrative office space at 285 Sills Road, East Patchogue, New York, expiring in August of 2028. This lease calls for monthly payments ranging from \$11,486 to \$13,715 with escalations at various points during the lease term.
- (d) During July of 2021, the Organization entered into a three-year lease at 213 North Hamilton Street, Poughkeepsie, New York, expiring in June of 2024. This lease calls for monthly payments ranging from \$4,325 to \$4,558 with escalations at various points during the lease term.
- (e) During August of 2022, the Organization extended its existing lease for an additional year at 456 Jerusalem Avenue, Uniondale, New York, expiring in July of 2023. The monthly payments are \$5,677.
- (f) During January of 2017, the Organization entered into a lease for three years and four months at 130 Mount Vernon Avenue, City of Mount Vernon, New York, expiring in December of 2026. The rent is paid on a quarterly basis and totals \$20,592. There are no rent escalations as part of this lease.
- (g) During July of 2021, the Organization entered into a lease for four years and five months for the Mayfair Apartments. The lease calls for quarterly payments ranging from \$18,937 to \$57,117 with escalations at various points during the lease term.
- (h) During January of 2017, the Organization entered into a ten-year lease at 3240 Route 112, Medford, New York, expiring December 31, 2026. This lease calls for monthly payments ranging from \$152,083 to \$161,392 with escalations at various points during the lease term. The monthly rental payments for this lease include various embedded costs (utilities, real estate taxes, repairs and maintenance, etc.).
- (i) During February of 2017, the Organization entered into a ten-year lease for a scattered site housing shelter at 450 Moreland Road, Commack, New York, expiring in December of 2027. This lease calls for monthly payments ranging from \$304,167 to \$335,825 with escalations at various points during the lease term. The monthly rental payments for this lease include various embedded costs (utilities, real estate taxes, repairs and maintenance, etc.).
- (j) During September of 2013, the Organization entered into a five-year lease at 5890 Route 25, Wading River, New York, expiring in 2018. The Organization extended the lease beginning in October 2018 and concluding in September of 2023. The Organization is expected to extend the lease further to conclude September of 2028. This second extension is incorporated in the total lease liability and asset. This lease calls for monthly payments ranging from \$83,950 to \$112,975 with escalations at various points during the lease term. The monthly rental payments for this lease include various embedded costs (utilities, real estate taxes, repairs and maintenance, etc.).

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

- (k) During October of 2021, the Organization entered into a three-year lease at the Vanderbilt Motel in Hyde Park, New York, expiring September of 2024. The monthly lease payments are based on a daily rate, but can fluctuate depending on the total rooms occupied each day and the number of people staying in each room. The daily rate increases by 2% annually. The total right of use asset and liability are calculated using estimated occupancy rates.
- (l) During July of 2017, the Organization entered into a ten-year lease at 44 Grand Street, Newburgh, New York, expiring June of 2027. This lease calls for monthly payments ranging from \$21,000 to \$22,947 with escalations of 3% on the anniversary date of the third, sixth, and ninth year.
- (m) During September of 2020, the Organization entered into a three-year lease at 5248 Route 9W, Newburgh, New York, expiring August of 2023. The monthly lease payments are based on a daily rate, but can fluctuate depending on the total rooms occupied each day and the number of people staying in each room. The total right of use asset and liability are calculated using estimated occupancy rates.
- (n) During April of 2022, the Organization entered into a lease for four years and nine months at 279 Butler Street, New York, New York, expiring December of 2026. This lease calls for monthly lease payments based on a total daily rate for each room occupied. The monthly rental payments range from \$458,640 to \$473,928 depending on the number of days in each month.
- (o) During February of 2022, the Organization entered into a lease for ten years at 880 West Jericho Turnpike, Smithtown, New York, expiring February of 2032. This lease calls for monthly lease payments ranging from \$186,302 to \$197,705 with escalations at various points during the lease.
- (p) During April of 2022, the Organization entered into a lease for four years and nine months at 267 3rd Avenue, Brooklyn, New York, expiring December of 2026. This lease calls for monthly lease payments based on a total daily rate for each room occupied. The monthly rental payments range from \$226,800 to \$234,360 depending on the number of days in each month.
- (q) During September of 2022, the Organization entered into a lease for five years at 440 Middle County Road, Middle Island, New York, expiring August of 2027. This lease calls for monthly payments ranging from \$22,000 to \$23,814 with escalations at various points during the lease term.
- (r) During December of 2021, the Organization entered into a lease for two years at 624 Roanoke Avenue, Riverhead, New York, set to expire in November of 2023. During October of 2022, the lease was terminated. The gain on termination of the lease was recorded in 2022.

Several debt agreements entered into by the Organization include certain minimum ratio requirements. These agreements were entered into prior to the adoption of ASC 842. The Organization will discuss revising the debt agreements to modify the financial covenants to consider the impact of ASC 842. The calculation of revised financial ratios are as follows:

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

The Organization had a current ratio at December 31, of:

	<u>2022</u>	<u>2021</u>
Without short-term lease obligation.....	1.54	2.19
With short-term lease obligation.....	.69	.94

In addition, the Organization had a debt service coverage ratio at December 31, of:

	<u>2022</u>	<u>2021</u>
Without lease obligation	3.45	2.97
With lease obligation	0.02	0.03

Litigation:

The Organization is subject to several lawsuits/claims in the normal course of operating its business. The Organization has retained legal counsel to assist with these matters. Management does not believe these matters will have a material impact on the Organization’s consolidated financial position or operations.

Government Audits:

Suffolk County conducted a performance audit of the Organization for the period January 1, 2016 through December 13, 2017 to determine if the revenues and expenses relating to the Emergency Housing Services Program were properly calculated, adequately documented and were reported in accordance with Suffolk County Department of Social Services (“DSS”) guidelines, including the DSS Reimbursable Cost Manual for Not-for-Profit Shelters (“RCM”), and all other applicable laws, contracts and regulations. The audit was issued on April 11, 2023, and disclosed that the Organization was overpaid \$604,563 by Suffolk County, which must be returned. The Organization recorded this liability during the year ended December 31, 2022. The Organization expects to repay the total liability over the course of two years, with the first payment to be made in July of 2023.

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 11 - LIQUIDITY AND AVAILABILITY

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 15,858,677	\$ 11,213,575
Accounts receivable and accrued revenues net of allowance for doubtful accounts	<u>8,355,224</u>	<u>3,231,763</u>
Total financial assets available within one year	24,213,901	14,445,338
Less: Net assets with donor restrictions	<u>(3,786)</u>	<u>(17,626)</u>
Total financial assets available within one year for general expenditures	<u>\$ 24,210,115</u>	<u>\$ 14,427,712</u>

As part of the Organization'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

The Organization has evaluated events and transactions that occurred between January 1, 2023 and May 23, 2023, which is the date the consolidated financial statements were available to be issued, for possible disclosure and recognition in the consolidated financial statements.

The Organization will be opening three new shelters during May 2023, with a fourth shelter to be opened in July of 2023. All four shelters are in New York City. In addition, during June of 2023 the Organization will be opening in the Bronx its first Master Lease program, an eighty-one-unit apartment complex for individuals progressing from emergency housing.

SUPPLEMENTARY INFORMATION

SCHEDULE OF FUTURE LEASE PAYMENTS IN ACCORDANCE WITH ASC 842
DECEMBER 31, 2022

	Lease (a)	Lease (b)	Lease (c)	Lease (d)	Lease (e)	Lease (f)	Lease (g)	Lease (h)	Lease (i)	Lease (j)	Lease (k)	Lease (l)	Lease (m)	Lease (n)	Lease (o)	Lease (p)	Lease (q)	Total
2023.....	\$ 747,094	\$ 153,086	\$ 131,204	\$ 54,259	\$ 28,385	\$ 82,368	\$ 219,598	\$ 1,898,730	\$ 3,950,877	\$ 1,309,565	\$ 316,455	\$ 263,454	\$ 208,202	\$ 5,580,120	\$ 2,235,625	\$ 2,759,400	\$ 265,760	\$ 20,204,182
2024.....	268,742	156,420	147,691	27,531	-	82,368	223,990	1,936,705	3,950,877	1,329,111	236,691	267,348	-	5,595,408	2,272,886	2,766,960	271,075	19,533,803
2025.....	-	159,754	152,122	-	-	82,368	228,469	1,936,705	4,029,895	1,335,758	-	267,348	-	5,580,120	2,280,338	2,759,400	276,497	19,088,774
2026.....	-	163,088	156,685	-	-	82,368	-	1,936,705	4,029,895	1,355,700	-	271,356	-	5,580,120	2,280,338	2,759,400	282,027	18,897,682
2027.....	-	13,614	161,386	-	-	-	-	-	4,029,895	1,355,700	-	137,681	-	-	2,318,343	-	190,508	8,207,127
Thereafter.....	-	-	109,721	-	-	-	-	-	-	1,016,776	-	-	-	-	9,802,745	-	-	10,929,242
Total.....	1,015,836	645,962	858,809	81,790	28,385	329,472	672,057	7,708,845	19,991,439	7,702,610	553,146	1,207,187	208,202	22,335,768	21,190,275	11,045,160	1,285,867	96,860,810
Less: Present value discount.....	(57,698)	(21,722)	(125,441)	(4,901)	(1,480)	(35,695)	(59,504)	(837,568)	(2,570,315)	(1,108,315)	(35,329)	(144,871)	(9,441)	(1,123,615)	(1,835,480)	(555,634)	(99,523)	(8,626,532)
Present Value.....	958,138	624,240	733,368	76,889	26,905	293,777	612,553	6,871,277	17,421,124	6,594,295	517,817	1,062,316	198,761	21,212,153	19,354,795	10,489,526	1,186,344	88,234,278
Short-term lease liabilities.....	713,216	150,631	125,254	51,799	26,905	78,633	209,640	1,812,630	3,771,721	1,250,182	302,105	251,507	198,761	5,441,365	2,192,434	2,690,785	257,046	19,524,614
Long-term lease liabilities.....	244,922	473,609	608,114	25,090	0	215,144	402,913	5,058,647	13,649,403	5,344,113	215,712	810,809	-	15,770,788	17,162,361	7,798,741	929,298	68,709,664
Total lease liabilities.....	\$ 958,138	\$ 624,240	\$ 733,368	\$ 76,889	\$ 26,905	\$ 293,777	\$ 612,553	\$ 6,871,277	\$ 17,421,124	\$ 6,594,295	\$ 517,817	\$ 1,062,316	\$ 198,761	\$ 21,212,153	\$ 19,354,795	\$ 10,489,526	\$ 1,186,344	\$ 88,234,278
Percentage of total.....	1.09%	0.71%	0.83%	0.09%	0.03%	0.33%	0.69%	7.79%	19.74%	7.47%	0.59%	1.20%	0.23%	24.04%	21.94%	11.89%	1.34%	100.00%
Months Remaining.....	627	49	68	18	7	64	48	48	60	69	21	54	8	48	110	48	56	1,403
Discount rate at commencement.....	4.75%	1.63%	4.75%	4.75%	5.50%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	2.55%	1.97%	2.55%	3.39%	
Weighted average remaining lease term.....	6.81	0.35	0.57	0.02	0.00	0.21	0.33	3.74	11.85	5.16	0.12	0.65	0.02	11.54	24.13	5.71	0.75	
Weighted average discount rate.....	0.05%	0.01%	0.04%	0.00%	0.00%	0.02%	0.03%	0.37%	0.94%	0.35%	0.03%	0.06%	0.01%	0.61%	0.43%	0.30%	0.05%	

SCHEDULE OF FUTURE LEASE PAYMENTS IN ACCORDANCE WITH ASC 842
DECEMBER 31, 2021

	Lease (a)	Lease (b)	Lease (c)	Lease (d)	Lease (e)	Lease (f)	Lease (g)	Lease (h)	Lease (i)	Lease (j)	Lease (k)	Lease (l)	Lease (m)	Lease (n)	Lease (o)	Total
2022.....	\$ 660,923	\$ 12,224	\$ 127,383	\$ 52,679	\$ 38,213	\$ 82,368	\$ 215,292	\$ 1,898,730	\$ 3,873,409	\$ 1,303,050	\$ 316,455	\$ 259,560	\$ 312,732	\$ 61,335	\$ -	\$ 9,214,353
2023.....	198,047	-	131,204	54,259	-	82,368	215,292	1,898,730	3,950,877	1,309,565	316,455	263,454	208,202	57,768	-	8,686,221
2024.....	-	-	147,691	27,530	-	82,368	215,292	1,936,705	3,950,877	1,329,111	236,691	267,348	-	-	-	8,193,613
2025.....	-	-	152,122	-	-	82,368	215,292	1,936,705	4,029,895	1,335,758	-	267,348	-	-	-	8,019,488
2026.....	-	-	156,685	-	-	82,368	-	1,936,705	4,029,895	1,355,700	-	271,356	-	-	-	7,832,709
Thereafter.....	-	-	271,108	-	-	-	-	-	4,029,895	2,372,475	-	137,682	-	-	-	6,811,160
Total.....	858,970	12,224	986,193	134,468	38,213	411,840	861,168	9,607,575	23,864,848	9,005,659	869,601	1,466,748	520,934	119,103	-	48,757,544
Less: Present value discount.....	(47,524)	(554)	(164,473)	(10,776)	(1,733)	(52,752)	(93,299)	(1,235,254)	(3,535,939)	(1,466,428)	(73,160)	(204,813)	(32,635)	(7,901)	-	(6,927,241)
Present Value.....	811,446	11,670	821,720	123,692	36,480	359,088	767,869	8,372,321	20,328,909	7,539,231	796,441	1,261,935	488,299	111,202	-	41,830,303
Short-term lease liabilities.....	630,953	11,670	121,606	50,290	36,480	78,633	205,529	1,812,630	3,697,765	1,243,962	302,105	247,790	298,551	58,554	-	8,796,518
Long-term lease liabilities.....	180,493	-	700,114	73,402	-	280,455	562,340	6,559,691	16,631,144	6,295,269	494,336	1,014,145	189,748	52,648	-	33,033,785
Total lease liabilities.....	\$ 811,446	\$ 11,670	\$ 821,720	\$ 123,692	\$ 36,480	\$ 359,088	\$ 767,869	\$ 8,372,321	\$ 20,328,909	\$ 7,539,231	\$ 796,441	\$ 1,261,935	\$ 488,299	\$ 111,202	\$ -	\$ 41,830,303
Percentage of total.....	1.94%	0.03%	1.96%	0.30%	0.09%	0.86%	1.84%	20.01%	48.60%	18.02%	1.90%	3.02%	1.17%	0.27%	-	100.00%
Months Remaining.....	594	1	80	30	7	80	64	60	72	81	33	66	20	23	-	1,211
Discount rate at commencement.....	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	-	4.75%
Weighted average remaining lease term.....	11.52	0.00	1.57	0.09	0.01	0.69	1.17	12.01	34.99	14.60	0.63	1.99	0.23	0.06	-	0.06
Weighted average discount rate.....	0.09%	0.00%	0.09%	0.01%	0.00%	0.04%	0.09%	0.95%	2.31%	0.86%	0.09%	0.14%	0.06%	0.01%	-	0.01%

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS	Community Housing Innovations, Inc.	CHI Realty, Inc.	Consolidated
Current Assets:			
Cash and cash equivalents.....	\$ 15,807,543	\$ 51,134	\$ 15,858,677
Accounts receivable and accrued revenue, net of allowance for doubtful accounts.....	8,355,224	-	8,355,224
Prepaid expenses and other current assets.....	93,709	2,138	95,847
TOTAL CURRENT ASSETS	24,256,476	53,272	24,309,748
Security deposits and other assets.....	134,705	-	134,705
Property and equipment, net of accumulated depreciation.....	14,854,623	-	14,854,623
Operating lease right-of-use assets.....	86,374,554	-	86,374,554
TOTAL ASSETS	\$ 125,620,358	\$ 53,272	\$ 125,673,630
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Current portion of mortgages payable, net of deferred financing fees.....	\$ 198,421	\$ -	\$ 198,421
Current portion of notes payable.....	9,718	-	9,718
Current portion of grants payable.....	813,517	-	813,517
Current portion of operating lease liability.....	19,524,614	-	19,524,614
Contract advances and due to government agencies.....	7,240,366	-	7,240,366
Accounts payable and accrued expenses.....	7,389,424	-	7,389,424
Employee Retention Tax Credits payable.....	-	-	-
Deposits payable.....	101,024	-	101,024
TOTAL CURRENT LIABILITIES	35,277,084	-	35,277,084
Mortgages payable, net of current portion and deferred financing fees.....	4,065,750	-	4,065,750
Notes payable, net of current portion.....	68,028	-	68,028
Operating lease liability, net of current portion.....	68,709,664	-	68,709,664
Grants payable, net of current portion.....	6,511,763	-	6,511,763
Contract advances and due to government agencies, net of current portion.....	1,262,377	-	1,262,377
TOTAL LIABILITIES	115,894,666	-	115,894,666
Net Assets:			
Without donor restrictions.....	9,721,906	53,272	9,775,178
With donor restrictions.....	3,786	-	3,786
TOTAL NET ASSETS	9,725,692	53,272	9,778,964
TOTAL LIABILITIES AND NET ASSETS	\$ 125,620,358	\$ 53,272	\$ 125,673,630

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS	Community Housing Innovations, Inc.	CHI Realty, Inc.	Consolidated
Current Assets:			
Cash and cash equivalents.....	\$ 11,165,228	\$ 48,347	\$ 11,213,575
Accounts receivable and accrued revenue, net of allowance for doubtful accounts.....	3,231,763	-	3,231,763
Prepaid expenses and other current assets.....	6,333	2,138	8,471
TOTAL CURRENT ASSETS	14,403,324	50,485	14,453,809
Security deposits and other assets.....	136,110	-	136,110
Property and equipment, net of accumulated depreciation.....	14,158,030	-	14,158,030
Operating lease right-of-use assets.....	39,986,671	-	39,986,671
TOTAL ASSETS	\$ 68,684,135	\$ 50,485	\$ 68,734,620
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Current portion of mortgages payable, net of deferred financing fees.....	\$ 180,060	\$ -	\$ 180,060
Current portion of notes payable.....	-	-	-
Current portion of grants payable.....	1,401,168	-	1,401,168
Current portion of operating lease liability.....	8,796,518	-	8,796,518
Contract advances and due to government agencies.....	137,741	-	137,741
Accounts payable and accrued expenses.....	2,900,078	-	2,900,078
Employee Retention Tax Credits payable.....	1,908,998	-	1,908,998
Deposits payable.....	82,915	-	82,915
TOTAL CURRENT LIABILITIES	15,407,478	-	15,407,478
Mortgages payable, net of current portion and deferred financing fees.....	4,262,279	-	4,262,279
Notes payable, net of current portion.....	-	-	-
Operating lease liability, net of current portion.....	33,033,785	-	33,033,785
Grants payable, net of current portion.....	6,562,341	-	6,562,341
Contract advances and due to government agencies, net of current portion.....	736,305	-	736,305
TOTAL LIABILITIES	60,002,188	-	60,002,188
Net Assets:			
Without donor restrictions.....	8,664,321	50,485	8,714,806
With donor restrictions.....	17,626	-	17,626
TOTAL NET ASSETS	8,681,947	50,485	8,732,432
TOTAL LIABILITIES AND NET ASSETS	\$ 68,684,135	\$ 50,485	\$ 68,734,620

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

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions			With Donor Restrictions			
	Community Housing Innovations, Inc.	CHI Realty, Inc.	Consolidated Total	Community Housing Innovations, Inc.	CHI Realty, Inc.	Consolidated Total	Total
REVENUE AND SUPPORT:							
Rental income	\$ 2,337,082	\$ -	\$ 2,337,082	\$ -	\$ -	\$ -	\$ 2,337,082
Scattered site housing/shelters.....	45,915,762	-	45,915,762	-	-	-	45,915,762
Revenue from government contracts	1,656,109	-	1,656,109	-	-	-	1,656,109
CARES Act Funding:							
Employee Retention Tax Credits.....	-	-	-	-	-	-	-
Interest	3,087	-	3,087	-	-	-	3,087
Contributions	92,274	-	92,274	12,318	-	12,318	104,592
Gain on sales/disposal of property and equipment	283,146	-	283,146	-	-	-	283,146
Other	365,930	7,810	373,740	-	-	-	373,740
Release of restrictions on grants payable	638,229	-	638,229	-	-	-	638,229
Net assets released from restriction	26,158	-	26,158	(26,158)	-	(26,158)	-
TOTAL REVENUE AND SUPPORT	51,317,777	7,810	51,325,587	(13,840)	-	(13,840)	51,311,747
FUNCTIONAL EXPENSES:							
Program Services:							
County funded emergency shelters.....	42,240,405	-	42,240,405	-	-	-	42,240,405
Permanent housing.....	2,473,130	-	2,473,130	-	-	-	2,473,130
Home grant programs.....	1,037,778	-	1,037,778	-	-	-	1,037,778
Other programs.....	884,746	5,023	889,769	-	-	-	889,769
TOTAL PROGRAM SERVICES	46,636,059	5,023	46,641,082	-	-	-	46,641,082
Supporting Services:							
Management and general.....	3,552,620	-	3,552,620	-	-	-	3,552,620
Fundraising.....	71,513	-	71,513	-	-	-	71,513
TOTAL SUPPORTING SERVICES	3,624,133	-	3,624,133	-	-	-	3,624,133
TOTAL EXPENSES	50,260,192	5,023	50,265,215	-	-	-	50,265,215
CHANGE IN NET ASSETS	1,057,585	2,787	1,060,372	(13,840)	-	(13,840)	1,046,532
Net assets, beginning of year.....	8,664,321	50,485	8,714,806	17,626	-	17,626	8,732,432
Total net assets, end of year.....	\$ 9,721,906	\$ 53,272	\$ 9,775,178	\$ 3,786	\$ -	\$ 3,786	\$ 9,778,964

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions			With Donor Restrictions			Total
	Community Housing Innovations, Inc.	CHI Realty, Inc.	Consolidated Total	Community Housing Innovations, Inc.	CHI Realty, Inc.	Consolidated Total	
REVENUE AND SUPPORT:							
Rental income	\$ 2,138,729	\$ -	\$ 2,138,729	\$ -	\$ -	\$ -	\$ 2,138,729
Scattered site housing/ shelters	25,166,473	-	25,166,473	-	-	-	25,166,473
Revenue from government contracts	1,853,444	-	1,853,444	-	-	-	1,853,444
CARES Act Funding:							
Employee Retention Tax Credits.....	252,053	-	252,053	-	-	-	252,053
Interest	3,215	-	3,215	-	-	-	3,215
Contributions	213,486	-	213,486	129,174	-	129,174	342,660
(Loss) on sales/ disposal of property and equipment.....	(345,700)	-	(345,700)	-	-	-	(345,700)
Other	279,776	40,435	320,211	-	-	-	320,211
Release of restrictions on grants payable	795,524	-	795,524	-	-	-	795,524
Net assets released from restriction	234,779	-	234,779	(234,779)	-	(234,779)	-
TOTAL REVENUE AND SUPPORT	30,591,779	40,435	30,632,214	(105,605)	-	(105,605)	30,526,609
FUNCTIONAL EXPENSES:							
Program Services:							
County funded emergency shelters.....	22,097,507	-	22,097,507	-	-	-	22,097,507
Permanent housing.....	2,310,657	-	2,310,657	-	-	-	2,310,657
Home grant programs.....	885,080	-	885,080	-	-	-	885,080
Other programs.....	924,812	21,277	946,089	-	-	-	946,089
TOTAL PROGRAM SERVICES	26,218,056	21,277	26,239,333	-	-	-	-
Supporting Services:							
Management and general.....	3,348,748	-	3,348,748	-	-	-	3,348,748
Fundraising.....	146,958	-	146,958	-	-	-	146,958
TOTAL SUPPORTING SERVICES	3,495,706	-	3,495,706	-	-	-	3,495,706
TOTAL EXPENSES	29,713,762	21,277	29,735,039	-	-	-	29,735,039
CHANGE IN NET ASSETS	878,017	19,158	897,175	(105,605)	-	(105,605)	791,570
Net assets, beginning of year.....	7,786,304	31,327	7,817,631	123,231	-	123,231	7,940,862
Total net assets, end of year.....	\$ 8,664,321	\$ 50,485	\$ 8,714,806	\$ 17,626	\$ -	\$ 17,626	\$ 8,732,432

SINGLE AUDIT SECTION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Pass through Programs from Family Residences and Essential Enterprises				
Supportive Housing Program	14.235	NY0453L2T031811	N/A	\$ 18,442
Pass through Programs from Town of Islip Community Development Agency				
Housing Opportunities for Persons with AIDS	14.241	NYH09F001	N/A	234,377
Housing Opportunities for Persons with AIDS	14.241	NYH10F001	N/A	626,423
Housing Opportunities for Persons with AIDS	14.241	NYH11F001	N/A	131,578
Housing Opportunities for Persons with AIDS	14.241	NYH12F001	N/A	6,574
Housing Opportunities for Persons with AIDS	14.241	NYH13F001	N/A	136,104
Housing Opportunities for Persons with AIDS	14.241	NYH14F001	N/A	175,478
Housing Opportunities for Persons with AIDS	14.241	NYH15F001	N/A	71,661
Housing Opportunities for Persons with AIDS	14.241	NYH16F001	N/A	79,516
				<u>1,461,711</u>
Total Housing Opportunities for Persons with AIDS				
Pass through Programs from Westchester County				
Westchester County Eviction Prevention Program	14.231	C-ESG-CV-20-04	N/A	10,337
Pass through Programs from Nassau County				
COVID-19 - Emergency Solutions Grants Coronavirus	14.231	ESG-46-05C	N/A	6,586
Emergency Solutions Grant for Services and operations	14.231	ESG-48-02J	N/A	6,800
				<u>13,386</u>
Total Emergency Solutions Grants				
				<u>\$ 1,503,876</u>
Total Expenditures of Federal Awards				

See accompanying notes to schedule of expenditures of federal awards.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICY

The information in the accompanying schedule of expenditures of federal awards (the "Schedule") of Community Housing Innovations, Inc. ("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"). Because the Schedule presents only a selected portion of the operations of CHI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CHI.

NOTE 2 - INDIRECT COST RATE

Many of CHI's federal grants provide for specific allocations for administrative costs. Where administrative costs are not specifically limited by the funding source, CHI has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 3 - SUB-RECIPIENTS

During the year ended December 31, 2022, CHI had no sub-recipients.

NOTE 4 - 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, New York. 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 \$781,206, respectively. At December 31, 2022, 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, 2022.

CHI has other contracts that are funded through the United States Department of Housing and Urban Development, all of which are passed through from different agencies, including Family Residences and Essential Enterprises, Westchester County, and Nassau County.



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

Board of Directors of
Community Housing Innovations, Inc.
75 South Broadway Suite 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. and its subsidiaries (hereinafter collectively the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2022, 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 23, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the Organization's consolidated 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 the Organization'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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cerini & Associates LLP

May 23, 2023
Bohemia, New York



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Community Housing Innovations, Inc. (hereinafter collectively "CHI") compliance with the types of compliance requirements identified as subject to audit in the 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, 2022. CHI's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, CHI complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on The Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and 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*"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of CHI and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of CHI's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to CHI's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on CHI's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about CHI's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 CHI's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of CHI's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 CHI's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 23, 2023
Bohemia, New York

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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 consolidated financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major federal program:

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>Federal Assistance Listing Number</u>	<u>Name of federal program or cluster</u>	
14.241	- Housing Opportunities for Persons with AIDS	
Dollar threshold used to distinguish between type A and type B programs:	<u>\$750,000</u>	
Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No

Section II - Findings - Consolidated Financial Statement Audit - None

Section III - Findings and Questioned Costs - Federal Awards - None

Section IV - Summary of Prior Year Audit Findings - None