

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

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT,
SUPPLEMENTARY INFORMATION AND FEDERAL AWARDS**

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019



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COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT,
SUPPLEMENTARY INFORMATION AND FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
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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 Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Community Housing Innovations, Inc. (a “nonprofit organization”) and its subsidiaries (hereinafter collectively the “Organization”) as of December 31, 2020 and 2019, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020 and 2019, 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.

Other Matters

Report on 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 and Statements of Activities as of, and for the years ended, December 31, 2020 and 2019, respectively, 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 taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"), 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 the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures 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 21, 2021 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Cerini & Associates LLP

May 21, 2021

Bohemia, New York

COMMUNITY HOUSING INNOVATIONS, INC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

2020

2019

ASSETS		
Current Assets:		
Cash and cash equivalents.....	\$ 7,174,835	\$ 7,039,614
Accounts receivable and accrued revenue, net.....	4,701,610	4,923,186
Prepaid expenses and other current assets.....	91,073	94,657
TOTAL CURRENT ASSETS	11,967,518	12,057,457
Security deposits and other assets.....	132,938	216,205
Property and equipment, net.....	14,841,122	14,616,961
TOTAL ASSETS	\$ 26,941,578	\$ 26,890,623
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of mortgages payable, net of deferred financing fees.....	\$ 168,620	\$ 167,228
Current portion of notes payable.....	102,663	24,835
Current portion of grants payable.....	227,438	1,311,351
Contract advances and due to government agencies.....	628,954	642,289
Accounts payable and accrued expenses.....	3,279,673	3,345,998
Deposits payable.....	60,107	77,393
TOTAL CURRENT LIABILITIES	4,467,455	5,569,094
Mortgages payable, net of current portion and deferred financing fees.....	3,997,817	4,169,944
Notes payable, net of current portion.....	84,291	-
Grants payable, net of current portion.....	8,531,595	7,847,377
TOTAL LIABILITIES	17,081,158	17,586,415
Net Assets:		
Without donor restrictions.....	9,737,189	9,117,296
With donor restrictions.....	123,231	186,912
TOTAL NET ASSETS	9,860,420	9,304,208
TOTAL LIABILITIES AND NET ASSETS	\$ 26,941,578	\$ 26,890,623

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, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Rental income	\$ 1,784,245	\$ -	\$ 1,784,245
Scattered site housing/shelters.....	26,998,455	-	26,998,455
Revenue from government contracts	1,402,347	-	1,402,347
Interest	35,598	-	35,598
Special events, net.....	-	-	-
Contributions	65,817	153,592	219,409
Gain on sales/disposal of property and equipment .	305,215	-	305,215
Other	2,236,610	-	2,236,610
Release of restrictions on grants payable	529,903	-	529,903
Net assets released from restriction	217,273	(217,273)	-
TOTAL REVENUE AND SUPPORT	33,575,463	(63,681)	33,511,782
FUNCTIONAL EXPENSES:			
Program Services:			
County funded emergency shelters.....	25,176,839	-	25,176,839
Permanent housing.....	2,348,227	-	2,348,227
Home grant programs.....	1,010,464	-	1,010,464
Other programs.....	386,320	-	386,320
Total Program Services.....	<u>28,921,850</u>	<u>-</u>	<u>28,921,850</u>
Supporting Services:			
Management and general.....	3,930,246	-	3,930,246
Fundraising.....	103,474	-	103,474
TOTAL EXPENSES	<u>32,955,570</u>	<u>-</u>	<u>32,955,570</u>
CHANGE IN NET ASSETS	619,893	(63,681)	556,212
Net assets, beginning of year.....	<u>9,117,296</u>	<u>186,912</u>	<u>9,304,208</u>
Total net assets, end of year.....	<u>\$ 9,737,189</u>	<u>\$ 123,231</u>	<u>\$ 9,860,420</u>

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

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

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services					Supporting Services			Total Expenses	Direct Cost of Special Events
	County Funded Emergency Shelters	Permanent Housing	Home Grant Programs	Other Programs	Total Program Services	Management and General	Fundraising			
Salaries.....	\$ 8,181,045	\$ 284,677	\$ 253,554	\$ 178,042	\$ 8,897,318	\$ 2,666,067	\$ 66,752	\$ 11,630,137	\$ -	
Fringe benefits and payroll taxes.....	1,848,127	56,794	57,491	48,562	2,010,974	415,085	8,245	2,434,304	-	
Advertising.....	17,111	28	2,079	402	19,620	20,695	937	41,252	-	
Continuing education	-	-	-	65	65	-	-	65	-	
Depreciation and amortization.....	253,423	608,298	-	40	861,761	4,000	-	865,761	-	
Conference, dues and subscriptions.....	200	-	-	4,965	5,165	6,104	3,346	14,615	-	
Food.....	1,236,047	-	-	-	1,236,047	430	-	1,236,477	-	
Interest expense.....	91,710	137,317	-	-	229,027	-	-	229,027	-	
Interest expense - debt issuance costs.....	-	-	-	-	-	21,661	-	21,661	-	
Insurance	470,828	282,365	-	3,509	756,702	36,581	-	793,283	-	
Licenses and permits.....	4,362	3,123	595	1,158	9,238	-	-	9,238	-	
Office expense.....	159,590	3,471	2,801	3,316	169,178	48,887	357	218,422	-	
Professional fees.....	53,128	20,411	4,404	37,367	115,310	210,904	9,225	335,439	-	
Rent	8,975,183	29,273	17,632	89,426	9,111,514	189,142	7,587	9,308,243	-	
Equipment rental.....	25,043	6,469	-	4,619	36,131	29,065	586	65,782	-	
Repairs and maintenance.....	1,735,426	593,115	4,569	5,030	2,338,140	164,124	2,405	2,504,669	-	
Security.....	761,271	467	-	3	761,741	488	23	762,252	-	
Real estate taxes.....	302,301	72,488	-	-	374,789	-	-	374,789	-	
Telephone.....	83,850	8,484	3,054	2,502	97,890	14,303	386	112,579	-	
Training.....	27,592	898	690	228	29,408	4,434	315	34,157	-	
Travel.....	34,502	10,849	4,245	210	49,806	9,948	1,142	60,896	-	
Utilities.....	843,502	222,164	3,230	2,510	1,071,406	51,300	721	1,123,427	-	
Grant expenses pass through.....	-	-	654,795	-	654,795	-	-	654,795	-	
Other expenses.....	72,598	7,536	1,325	4,366	85,825	37,028	1,447	124,300	-	
Total.....	\$ 25,176,839	\$ 2,348,227	\$ 1,010,464	\$ 386,320	\$ 28,921,850	\$ 3,930,246	\$ 103,474	\$ 32,955,570	\$ -	

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

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

	Program Services					Supporting Services			Total Expenses	Direct Cost of Special Events
	County Funded Emergency Shelters	Permanent Housing	Home Grant Programs	Other Programs	Total Program Services	Management and General	Fundraising			
Salaries.....	\$ 7,279,280	\$ 331,218	\$ 224,349	\$ 353,007	\$ 8,187,854	\$ 2,268,025	\$ 62,323	\$ 10,518,202	\$ -	
Fringe benefits and payroll taxes.....	1,528,254	76,171	52,762	63,851	1,721,038	411,623	19,909	2,152,570	-	
Advertising.....	16,604	712	99	1,092	18,507	1,356	99	19,962	2,330	
Continuing education	-	-	-	-	-	-	-	-	-	
Depreciation and amortization.....	245,273	658,041	-	-	903,314	6,653	-	909,967	-	
Conference, dues and subscriptions.....	944	97	-	9,415	10,456	2,125	1,316	13,897	-	
Food.....	1,255,794	-	-	-	1,255,794	846	-	1,256,640	15,088	
Interest expense.....	109,899	153,754	-	673	264,326	35,699	-	300,025	-	
Interest expense - debt issuance costs.....	-	-	-	-	-	15,916	-	15,916	-	
Insurance	372,958	237,692	-	4,578	615,228	24,827	-	640,055	-	
Licenses and permits.....	4,318	7,802	595	169	12,884	1,130	6	14,020	-	
Office expense.....	126,150	5,594	2,675	2,810	137,229	68,007	2,447	207,683	120	
Professional fees.....	94,848	107,253	4,341	283,926	490,368	218,694	3,215	712,277	600	
Rent	9,048,276	30,335	20,461	90,656	9,189,728	178,088	7,731	9,375,547	-	
Equipment rental.....	23,729	7,068	-	5,803	36,600	24,396	629	61,625	-	
Repairs and maintenance.....	1,543,449	564,873	11	7,981	2,116,314	164,556	11,348	2,292,218	1,043	
Security.....	1,011,981	5,334	-	9	1,017,324	961	84	1,018,369	-	
Real estate taxes.....	302,936	140,671	-	-	443,607	-	-	443,607	-	
Telephone.....	107,586	15,193	2,473	3,393	128,645	28,172	801	157,618	-	
Training.....	13,904	155	244	294	14,597	5,251	1,511	21,359	-	
Travel.....	56,731	28,230	7,948	1,435	94,344	28,353	3,679	126,376	76	
Utilities.....	803,036	286,145	4,543	2,457	1,096,181	9,303	882	1,106,366	-	
Grant expenses pass through.....	-	-	876,703	-	876,703	-	-	876,703	-	
Other expenses.....	104,651	11,971	850	8,632	126,104	32,592	3,061	161,757	-	
Total.....	<u>\$ 24,050,601</u>	<u>\$ 2,668,309</u>	<u>\$ 1,198,054</u>	<u>\$ 840,181</u>	<u>\$ 28,757,145</u>	<u>\$ 3,526,573</u>	<u>\$ 119,041</u>	<u>\$ 32,402,759</u>	<u>\$ 19,257</u>	

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

COMMUNITY HOUSING INNOVATIONS, INC AND SUBSIDIARIES

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets.....	\$ 556,212	\$ 4,877,060
<u>Adjustments to reconcile change in net assets to net cash provided by operating activities:</u>		
Depreciation and amortization.....	865,761	909,967
Interest expense - debt issuance costs.....	21,661	15,916
Release of restrictions on grants payable.....	(529,903)	(1,174,956)
Gain on sales/disposal of property and equipment.....	(305,215)	(5,127,558)
Drawdown of project funds	130,208	-
<u>Changes in operating assets and liabilities:</u>		
Accounts receivable and accrued revenues.....	221,576	416,205
Prepaid expenses and other current assets.....	3,584	287,851
Security deposits and other assets.....	30,225	(13,993)
Contract advances and due to government agencies.....	(13,335)	120,837
Accounts payable and accrued expenses.....	(66,325)	(235,288)
Deposits payable.....	(17,286)	(6,558)
NET CASH PROVIDED BY OPERATING ACTIVITIES	897,163	69,483
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of property.....	358,257	7,315,341
Purchases of property and equipment	(1,089,922)	(280,636)
NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES	(731,665)	7,034,705
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from lines of credit.....	-	1,000,000
Repayments of lines of credit	-	(2,842,073)
Repayments of grants payable.....	-	(24,905)
Proceeds from notes payable	162,119	-
Repayments of notes payable.....	-	(22,814)
Repayments of mortgages payable.....	(192,396)	(411,702)
NET CASH USED IN FINANCING ACTIVITIES	(30,277)	(2,301,494)
Net change in cash and cash equivalents.....	135,221	4,802,694
Cash and cash equivalents, beginning of year.....	7,039,614	2,236,920
Cash and cash equivalents, end of year.....	<u>\$ 7,174,835</u>	<u>\$ 7,039,614</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest.....	<u>\$ 229,027</u>	<u>\$ 300,025</u>

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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 2020 and 2019 transactions for CHI Mt. Vernon Inc., are included within CHI.

CHI Yonkers, Inc.

This entity is a nonprofit organization established to undertake activities that provide low and moderate income families and individuals with affordable rental and homeownership opportunities in the City of Yonkers, New York. All 2020 and 2019 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.

CHI Realty Division

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

Mayfair Housing Development Fund Company, Inc.

This entity is a nonprofit organization established to develop a housing project for persons of low income in the State of New York. There was no activity in 2020 or 2019.

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, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Recent Accounting Pronouncements: During the year ended December 31, 2020, the Organization adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, using the modified retrospective approach. ASU 2018-08 amends ASC 958, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this ASU were intended to assist entities in (1) evaluating whether (reciprocal) transactions subject to other guidance (i.e., ASC 606) and (2) determining whether a contribution(s) is conditional. The Organization has determined that there is no impact to the consolidated financial statements as a result of the adoption of this ASU.

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. The Organization has determined that there is no change to the timing of revenue recognition under ASU No. 2018-08.

During the year ended December 31, 2019, the Organization adopted FASB ASU 2014-09, Revenue from Contracts with Customers, and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. The Organization's services that fall within the scope of ASC 606 are presented within rental income, scattered site housing/shelters, and contract revenue and are recognized as revenue as the Organization satisfies its obligations to the tenants and other consumers. There was no impact on net assets attributable to the adoption of ASC 606.

Consolidated Financial Statement Presentation: The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization.

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

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

Accounts Receivable: Accounts receivable and accrued revenues consist primarily of amounts owed to the Organization for the provision of transitional housing and other types of housing for the homeless in Suffolk, Nassau, Dutchess, Westchester, and Orange counties and various other receivables. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for estimated uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment 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, 2020 and 2019, the total allowance for doubtful accounts was \$12,169 and \$9,345, respectively. Substantially all of the receivables were collected subsequent to year-end.

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

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

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

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

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Rental Income and Prepaid Rent: Rental income is recognized for apartment rentals on a modified cash basis of accounting. Revenue is recorded when received and adjusted for any outstanding receivables within sixty days of the end of the reporting period. The remaining outstanding receivables are not expected to be collected and therefore are not recorded as revenue.

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 price for providing services using the most likely outcome method. These settlements are estimated based on the terms of the payment agreement and rate methodology with the payer, cost reports filed with the payer, correspondence from the payer 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.

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.

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Conversely, deferred revenue and refundable advances are recorded when cash advances exceed support and revenue earned.

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:

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

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, 2020 or 2019.

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 expense accounts in the prior year consolidated statement of functional expenses have been reclassified for comparative purposes to conform to the presentation in the current year consolidated statement of functional expenses.

Events Occurring After the Report Date: The Organization has evaluated events and transactions that occurred between January 1, 2021 and May 21, 2021, which is the date the consolidated financial statements were available to be issued, for possible disclosure and recognition in the consolidated financial statements.

NOTE 3 - CONCENTRATION OF CREDIT RISK/DISAGGREGATED REVENUE

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.

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

<u>Funding Source</u>	<u>2020</u>		<u>2019</u>	
	<u>Revenue Amount</u>	<u>Percent of Total</u>	<u>Revenue Amount</u>	<u>Percent of Total</u>
<u>Revenue recognized at a point time</u>				
<u>Scattered Site Housing</u>				
Dutchess County	\$ 1,743,900	5%	\$ 1,881,012	5%
Westchester County	2,626,780	8%	2,655,182	7%
Suffolk County	20,311,528	61%	19,841,129	53%
Orange County	1,602,279	5%	1,539,290	4%
Nassau County	713,968	2%	924,250	3%
Total scattered site housing.....	26,998,455	81%	26,840,863	72%
 <u>Revenue recognized over time</u>				
<u>Rental Income</u>				
Rental income (welfare, tenant, section 8) ..	1,784,245	5%	1,860,882	5%
Total revenue subject to ASU 606	28,782,700	86%	28,701,745	77%
 <u>Government Contracts</u>				
NYS Office of Mental Health	378,037	1%	288,045	1%
NYS Affordable Housing Corporation.....	348,030	1%	876,703	2%
<u>COVID-19 Eviction and Foreclosure</u>				
Prevention	306,765	1%	-	-%
Other government contracts	369,515	1%	530,811	1%
Total government contracts	1,402,347	4%	1,695,559	4%
 <u>Contributions</u>				
Contributions	219,409	1%	268,682	1%
 <u>Other</u>				
Release of restrictions on grants payable....	529,903	2%	1,174,956	3%
Paycheck Protection Program.....	2,057,046	6%	-	-%
Miscellaneous.....	520,377	1%	5,438,877	15%
Total Other	3,107,326	9%	6,613,833	18%
Total revenue not subject to ASU 606	4,729,082	14%	8,578,074	23%
Total Revenue	\$33,511,782		\$37,279,819	

The Organization maintains cash and investments in several bank and securities accounts that are insured by the Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC"). From time to time, the Organization may have cash on deposits and investments with financial institutions that are in excess of FDIC and SIPC limits. 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, 2020 AND 2019**

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.

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land	\$ 2,043,704	\$ 2,012,454
Buildings and building improvements.....	23,323,792	22,277,896
Furniture and fixtures	311,880	482,326
Computer equipment.....	85,669	210,827
Vehicles	76,942	117,509
Total cost	<u>25,841,987</u>	<u>25,101,012</u>
Less: accumulated depreciation.....	<u>(11,000,865)</u>	<u>(10,484,051)</u>
Property and equipment, net	<u>\$ 14,841,122</u>	<u>\$ 14,616,961</u>

During the year ended December 31, 2020, there was a sale of property with a net book value of \$51,944 resulting in a net gain of \$305,215. During the year ended December 31, 2019, there was a sale of property with a net book value of \$2,103,746 resulting in a net gain of \$5,127,558. During the years ended, December 31, 2020 and 2019 the retirement of fully depreciated fixed assets was \$348,947 and \$1,981,843, 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. Grants payable outstanding were from the following sources as of December 31,:

	<u>2020</u>	<u>2019</u>
Homeless Housing Assistance Corporation (A)....	\$ 5,696,163	\$ 5,565,955
HUD Supportive Housing Projects (B)	714,169	961,175
Islip Community Development Agency (C)	1,461,711	1,461,711
Westchester County (D)	688,000	688,000
Other (E)	198,990	481,887
Total outstanding grants payable.....	<u>\$ 8,759,033</u>	<u>\$ 9,158,728</u>

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 5 - GRANTS PAYABLE (continued)

- (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. The loans will be forgiven between the years ending December 31, 2022 and 2039.
- (B) HUD Supportive Housing Projects** - Grants from HUD are to provide scattered site housing in Suffolk and Nassau Counties under the Stewart B, McKinney Homeless Assistance Act. No principal or interest payments are due. The loans on these properties will be forgiven, barring default, over the last ten years of the loans. The amount to be forgiven in each year ending December 31, is listed in the table below.
- (C) Islip Community Development Agency (“CDA”)** - 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 2022 and 2028. If additional HOPWA funds are requested, the loan forgiveness date can be extended for three to ten years based upon the level of funds requested. While a ten-year use period exists for HOPWA, the Town of Islip CDA allows for recoupment of funds even after the ten-year use period expires.
- (D) Westchester County** - Property acquisition grants 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. The balance of the grants payable at December 31, 2020 and 2019 was \$688,000.
- (E) Other** - The Organization has grants with several counties that were provided for acquisition and renovation of scattered site supportive housing.

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

	HHAC	HUD	Islip CDA	Westchester County	Other	Total
2021.....	\$ -	\$ 227,438	\$ -	\$ -	\$ -	\$ 227,438
2022.....	1,181,419	226,695	-	-	-	1,408,114
2023.....	-	131,506	680,505	-	-	812,011
2024.....	780,000	128,530	-	-	-	908,530
2025.....	575,000	-	-	-	-	575,000
Thereafter	3,159,744	-	781,206	688,000	198,990	4,827,940
	<u>\$ 5,696,163</u>	<u>\$ 714,169</u>	<u>\$ 1,461,711</u>	<u>\$ 688,000</u>	<u>\$ 198,990</u>	<u>\$ 8,759,033</u>

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 5 - GRANTS PAYABLE (continued)

In 2020 and 2019, \$529,903 and \$541,188, respectively, of grants payable for HUD Supporting Housing Projects was recognized as revenue in satisfaction of the terms of the underlying debt. In addition, in 2019 \$633,768 of grants payable for Nassau County Recapture Mortgages 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. The amount outstanding as of December 31, 2020 and 2019 was \$4,274,860 and \$4,462,972, respectively. Interest expense for 2020 and 2019 was \$222,880 and \$243,788, respectively. The property financed by each mortgage serves as collateral.

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

2021	\$	190,001
2022		187,573
2023		197,517
2024		207,721
2025		219,012
Thereafter		3,273,036
		<u>4,274,860</u>
Less unamortized debt issuance costs		(108,423)
	\$	<u>4,166,437</u>

NOTE 7 - LINES OF CREDIT

On December 5, 2017, the Organization secured a line of credit from a bank totaling \$2,450,000, maturing on December 2022. The line of credit interest rate is charged on the outstanding principal balance from the date of issuance until the maturity date at a variable rate of the greater of either (a) one-month LIBOR plus 2% or (b) the prime rate, which at no time can be less than 3.25%. The Organization had no outstanding balance on the line of credit as of December 31, 2020 and 2019. There was no interest expense for the year ended December 31, 2020. Interest expense for and 2019 was \$35,245. The Organization has granted the bank a first priority continuing lien on twenty-four of its properties.

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

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 7 - LINES OF CREDIT (continued)

The loan was fully repaid during 2019. There was no amount outstanding on the line at December 31, 2020 and 2019. In 2019, interest of \$3,300 was incurred and included in the cost of property sold.

NOTE 8 - PAYCHECK PROTECTION PROGRAM

As a result of the Coronavirus Aid, Relief, and Economic Security Act (hereinafter, "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 accrues 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. The Organization recognized \$2,057,046 as a grant advance from the PPP loan, which represents the amount that management anticipates will be forgiven. The remaining \$186,954 is recorded as a note payable.

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 2020 and 2019, the Organization has recorded a safe harbor pension expense of \$234,475 and \$201,096, respectively.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization leases numerous sites of real property for the housing of its constituents. As of December 31, 2020, the majority of rental commitments under these leases were cancellable by the Organization upon thirty days written notice.

Future minimum lease commitments for non-cancellable leases at December 31, 2020, are payable as follows for the years ending December 31:

2021	\$	292,868
2022		163,753
2023		155,323
2024		12,970
	<u>\$</u>	<u>624,914</u>

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Employee Contract

During 2019, the Organization's Board agreed to provide a retirement supplement totaling \$750,000 to the Organization's long-time Executive Director. Pursuant to the plan, the Organization is paying the Executive Director a retirement bonus of \$750,000 over two-years, with \$375,000 payable in both 2019 and 2020. The Executive Director met all criteria to receive such bonus as of December 31, 2020.

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.

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 7,174,835	\$ 7,039,614
Accounts receivable and accrued revenues, net....	4,701,525	4,923,186
Total financial assets available within one year	11,876,360	11,962,800
Less:		
Net assets with donor restrictions	(123,231)	(186,912)
Total financial assets available within one year for general expenditures	<u>\$ 11,753,129</u>	<u>\$ 11,775,888</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 - FINANCIAL IMPACTS RELATED TO THE COVID-19 PANDEMIC

On March 18, 2020, in response to the Coronavirus pandemic, New York State Governor, Andrew Cuomo, announced his "New York State on PAUSE" executive order, a 10-point policy to assure safety for everyone, which substantially closed all operations within New York State. The long-term impact of the pandemic on the Organization's operating results is uncertain and the financial impact of this matter cannot be estimated at this time.

SUPPLEMENTARY INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS	Community Housing Innovations, Inc.	CHI Realty	Eliminations	Consolidated
Current Assets:				
Cash and cash equivalents.....	\$ 7,145,167	\$ 29,668	\$ -	\$ 7,174,835
Accounts receivable and accrued revenue, net.....	4,701,610	-	-	4,701,610
Prepaid expenses and other current assets.....	89,414	1,659	-	91,073
TOTAL CURRENT ASSETS	11,936,191	31,327	-	11,967,518
Security deposits and other assets.....	132,938	-	-	132,938
Property and equipment, net.....	14,841,122	-	-	14,841,122
TOTAL ASSETS	\$ 26,910,251	\$ 31,327	\$ -	\$ 26,941,578
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Current portion of mortgages payable, net of deferred financing fees.....	\$ 168,620	\$ -	\$ -	\$ 168,620
Current portion of notes payable.....	102,663	-	-	102,663
Current portion of grants payable.....	227,438	-	-	227,438
Contract advances and due to government agencies.....	628,954	-	-	628,954
Accounts payable and accrued expenses.....	3,279,673	-	-	3,279,673
Deposits payable.....	60,107	-	-	60,107
TOTAL CURRENT LIABILITIES	4,467,455	-	-	4,467,455
Mortgages payable, net of current portion and deferred financing fees.....	3,997,817	-	-	3,997,817
Notes payable, net of current portion.....	84,291	-	-	84,291
Grants payable, net of current portion.....	8,531,595	-	-	8,531,595
TOTAL LIABILITIES	17,081,158	-	-	17,081,158
Net Assets:				
Without donor restrictions.....	9,705,862	31,327	-	9,737,189
With donor restrictions.....	123,231	-	-	123,231
TOTAL NET ASSETS	9,829,093	31,327	-	9,860,420
TOTAL LIABILITIES AND NET ASSETS	\$ 26,910,251	\$ 31,327	\$ -	\$ 26,941,578

COMMUNITY HOUSING INNOVATIONS, INC AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

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

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions			With Donor Restrictions		
	Community Housing Innovations, Inc.	CHI Realty	Consolidated Total	Community Housing Innovations, Inc.	CHI Realty	Consolidated Total
REVENUE AND SUPPORT:						
Rental income	\$ 1,784,245	\$ -	\$ 1,784,245	\$ -	\$ -	\$ -
Scattered site housing/shelters.....	26,998,455	-	26,998,455	-	-	-
Revenue from government contracts	1,402,347	-	1,402,347	-	-	-
Interest	35,598	-	35,598	-	-	-
Special events, net.....	-	-	-	-	-	-
Contributions	65,817	-	65,817	153,592	-	153,592
Gain on sales/disposal of property and equipment	305,215	-	305,215	-	-	-
Other	2,210,405	26,205	2,236,610	-	-	-
Release of restrictions on grants payable	529,903	-	529,903	-	-	-
Net assets released from restriction	217,273	-	217,273	(217,273)	-	(217,273)
TOTAL REVENUE AND SUPPORT	33,549,258	26,205	33,575,463	(63,681)	-	(63,681)
FUNCTIONAL EXPENSES:						
Program Services:						
County funded emergency shelters.....	25,176,839	-	25,176,839	-	-	-
Permanent housing.....	2,348,227	-	2,348,227	-	-	-
Home grant programs.....	1,010,464	-	1,010,464	-	-	-
Other programs.....	373,757	12,563	386,320	-	-	-
Total Program Services.....	28,909,287	12,563	28,921,850	-	-	-
Supporting Services:						
Management and general.....	3,930,246	-	3,930,246	-	-	-
Fundraising.....	103,474	-	103,474	-	-	-
TOTAL EXPENSES	32,943,007	12,563	32,955,570	-	-	-
CHANGE IN NET ASSETS	606,251	13,642	619,893	(63,681)	-	(63,681)
Net assets, beginning of year.....	9,099,611	17,685	9,117,296	186,912	-	186,912
Total net assets, end of year.....	\$ 9,705,862	\$ 31,327	\$ 9,737,189	\$ 123,231	\$ -	\$ 123,231

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

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA #	Grant Number	Passed Through to Subrecipient	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Direct Awards				
Supportive Housing Program	14.235	NY0511L2T031811	N/A	\$ 25,860
Supportive Housing Program	14.235	NY0508L2T031811	N/A	46,058
Supportive Housing Program	14.235	NY0510L2T031811	N/A	25,767
Supportive Housing Program	14.235	NY0453L2T031811	Family Residences and Essential Enterprises	23,006
Total Supportive Housing Program				120,691
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
Total Housing Opportunities for Persons with AIDS				1,461,711
Pass through Programs from Westchester County				
COVID-19 - Emergency Solutions Grants Coronavirus	14.231	C-ESG-CV-20-04	N/A	1,768
Pass through Programs from Nassau County				
COVID-19 - Emergency Solutions Grants Coronavirus	14.231	ESG-46-05C	N/A	13,604
Total U.S. Department of Housing and Urban Development				1,597,774
<u>U.S. Department of Treasury</u>				
Pass through Programs from Westchester County				
Coronavirus Relief Fund	21.019	C-CRF-20-65	N/A	365,486
<u>Small Business Administration</u>				
COVID-19 - Economic Injury Disaster Loan Emergency Advance	59.072	3303320338	N/A	10,000
Total Expenditures of Federal Awards				\$ 1,973,260

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICY

The information in the accompanying Schedule of Expenditures of Federal Awards of the Organization has been prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the accrual basis financial statements. Many of the Organization's federal grants provide for specific allocations for administrative costs. Where administrative costs are not specifically limited by the funding source, the Organization has elected to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 2 - FEDERAL AWARD ASSISTANCE

The Organization 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, the Organization received HOPWA funding to purchase and renovate two properties in Islip. Pursuant to the respective grant agreements, the properties must be used for a period of at least ten years otherwise the grants must be repaid to HOPWA. Furthermore, if additional monies are received from HOPWA for additional renovations to these properties, the forgiveness term of these grants can be extended for three or ten years, depending on if such renovations are non-substantial or substantial, respectively. The grants are set to expire in 2023 and 2028 in the amounts of \$680,505 and \$781,206, respectively. At December 31, 2020, 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, 2020.

The Organization has a contract with the United States Department of Treasury, under its Coronavirus Relief Fund, which provides direct assistance for state and local governments to provide assistance to local residents, including needy families and children, during the sudden economic decline caused by the COVID-19 pandemic. The funds were passed through the Westchester County Eviction and Foreclosure Prevention Grants. For the year ended December 31, 2020, the Organization had total expenditures under this contract of \$365,486.



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

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, 2020, 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 21, 2021.

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 consolidated 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.

Corin & Associates LLP

May 21, 2021
Bohemia, New York



**REPORT ON COMPLIANCE FOR EACH 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

We have audited Community Housing Innovations, Inc. and its subsidiaries (hereinafter collectively the "Organization") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget ("OMB") Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2020. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

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

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

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

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

Cerini & Associates LLP

May 21, 2021
Bohemia, New York

COMMUNITY HOUSING INNOVATIONS, INC. AND SUBSIDIARIES

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Federal Awards

Internal control over major federal programs:

Are any material weaknesses identified?	___ Yes	<u>X</u> No
Are any significant deficiencies identified?	___ 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)?	___ Yes	<u>X</u> No
Identification of major federal programs:		
<u>CFDA Number(s)</u>	<u>Name of federal program or cluster</u>	
14.241	United States Department of Housing and Urban Development - Housing Opportunities for Persons with AIDS	
21.019	United States Department of Treasury - Coronavirus Relief Fund	
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	___ No