

Independent Auditors' Reports 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 Government
Auditing Standards* and Related
Information

Housing Works, Inc. and Affiliates

For the year ended June 30, 2019,
with summarized comparative information for the
year ended June 30, 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Housing Works, Inc. and Affiliates:

Report on the financial statements

We have audited the accompanying consolidated financial statements of Housing Works Inc. and Affiliates (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility for the 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditor's 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 Housing Works, Inc. and Affiliates as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters*Supplementary information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position, the consolidating schedule of revenue and expenses and the schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary 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. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on 2018 summarized comparative information

We have previously audited the Organization's 2018 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 29, 2019. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 31, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.



Housing Work, Inc. and Affiliates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2019, with summarized comparative totals as of June 30, 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash	\$ 4,303,308	\$ 1,922,732
Health service receivables, net	6,494,628	5,070,817
Grants and contract service receivables	9,775,660	4,802,267
Contributions receivable	5,000	5,000
Pharmacy receivables	1,654,184	1,805,014
Thrift shop and bookstore inventory, net	6,802,097	7,508,700
Prepaid expenses and other assets	2,191,594	1,432,311
Total current liabilities	31,226,471	22,546,841
LONG-TERM ASSETS		
Restricted cash - debt service and contingency reserve funds	853,957	837,615
Security deposits and other assets	1,906,829	1,635,891
Property and equipment, net	48,249,790	24,652,560
Total long-term assets	51,010,576	27,126,066
Total assets	\$ 82,237,047	\$ 49,672,907
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 12,767,443	\$ 9,114,218
Current maturities of loans payable	1,787,915	942,094
Total current liabilities	14,555,358	10,056,312
LONG-TERM LIABILITIES		
Loans payable	2,618,022	2,779,717
Deferred revenue - housing	10,576,779	5,427,962
Deferred revenue	197,853	98,289
Deferred rent payable	2,068,448	1,805,448
Other liabilities	849,260	581,621
Total long-term liabilities	16,310,362	10,693,037
Total liabilities	30,865,720	20,749,349
Noncontrolling interest in Fitzpatrick Associates Limited Partnership	-	414,993
Commitments and contingencies		
NET ASSETS		
Net assets without donor restrictions	50,023,504	27,065,249
Net assets with donor restrictions	1,347,823	1,443,316
Total net assets	51,371,327	28,508,565
Total liabilities and net assets	\$ 82,237,047	\$ 49,672,907

The accompanying notes are an integral part of this consolidated financial statement.

Housing Work, Inc. and Affiliates

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2019, with summarized comparative totals for the year ended June 30, 2018

	2019			2018
	Net assets without donor restrictions	Net assets with donor restrictions	Total	
Operating revenues and other support				
Grants and contract services	\$ 23,232,557	\$ -	\$ 23,232,557	\$ 15,797,239
Bookstore sales	2,140,880	-	2,140,880	1,960,934
Thrift shops sales	15,652,861	-	15,652,861	15,088,038
Health service revenue	30,720,728	-	30,720,728	26,870,149
Pharmacy revenue	23,705,976	-	23,705,976	22,121,686
In-kind contributions	17,077,115	-	17,077,115	17,028,615
Contributions	4,249,129	1,050,985	5,300,114	5,018,015
Rental income on apartments	2,829,085	-	2,829,085	1,794,519
Food services	510,253	-	510,253	948,723
Other revenue	5,099,310	-	5,099,310	3,530,457
Net assets released from restrictions	1,146,478	(1,146,478)	-	-
	<u>126,364,372</u>	<u>(95,493)</u>	<u>126,268,879</u>	<u>110,158,375</u>
Expenses				
Program services:				
Housing programs	14,237,299	-	14,237,299	8,182,050
Bookstore	5,062,779	-	5,062,779	4,310,417
Thrift shops	29,201,521	-	29,201,521	28,810,704
Health and service programs	47,039,630	-	47,039,630	43,434,904
Food services	886,587	-	886,587	1,894,039
Advocacy, legal and advisory services	9,451,684	-	9,451,684	7,601,921
Property and facility management	1,012,605	-	1,012,605	681,868
	<u>106,892,105</u>	<u>-</u>	<u>106,892,105</u>	<u>94,915,903</u>
Total program expenses	<u>106,892,105</u>	<u>-</u>	<u>106,892,105</u>	<u>94,915,903</u>
Management and general	13,126,337	-	13,126,337	10,545,652
Fundraising	1,422,066	-	1,422,066	969,889
	<u>121,440,508</u>	<u>-</u>	<u>121,440,508</u>	<u>106,431,444</u>
Total expenses	<u>121,440,508</u>	<u>-</u>	<u>121,440,508</u>	<u>106,431,444</u>
NON OPERATING REVENUES AND OTHER SUPPORT				
Inherent Contribution Bailey House	17,780,938	-	17,780,938	-
Acquisition of/change in non-controlling interest	389,493	-	389,493	(51,165)
Other	(136,040)	-	(136,040)	-
	<u>18,034,391</u>	<u>-</u>	<u>18,034,391</u>	<u>(51,165)</u>
Total non-operating revenues and other support	<u>18,034,391</u>	<u>-</u>	<u>18,034,391</u>	<u>(51,165)</u>
Change in net assets	22,958,255	(95,493)	22,862,762	3,675,766
Net assets, beginning of year	27,065,249	1,443,316	28,508,565	24,832,799
Net assets, end of year	<u>\$ 50,023,504</u>	<u>\$ 1,347,823</u>	<u>\$ 51,371,327</u>	<u>\$ 28,508,565</u>

The accompanying notes are an integral part of this consolidated financial statement.

Housing Work, Inc. and Affiliates

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019, with summarized comparative totals for the year ended June 30, 2018

	Housing Program	Bookstore	Thrift Shop	Health and Service Program	Food Services	Advocacy, Legal and Advisory Services	Property and Facility Management	Total Program Services	Management and General	Fundraising	2019 Total Expense	2018 Total Expense
Expenses												
Salaries and wages	\$ 4,732,210	\$ 996,034	\$ 4,384,856	\$ 17,782,585	\$ 210,425	\$ 5,035,493	\$ 696,326	\$ 33,837,929	\$ 4,654,350	\$ 444,155	\$ 38,936,434	\$ 34,633,083
Fringe benefits	1,065,497	230,406	985,628	3,893,792	58,201	1,091,611	148,740	7,473,875	1,249,926	92,829	8,816,630	7,830,938
Professional service fees	191,206	38,729	177,715	787,929	2,763	287,245	9,474	1,495,061	2,225,142	9,894	3,730,097	2,359,187
Contracted services	326,125	176,192	1,329,969	5,190,265	53,829	343,185	40,094	7,459,659	1,120,185	70,797	8,650,641	7,146,332
Client stipends and reimbursements	46,743	-	-	297,167	64,668	413,407	50,949	872,934	21,181	-	894,115	726,427
Supplies	473,987	111,102	206,715	591,663	35,922	330,106	3,395	1,752,890	87,157	2,700	1,842,747	1,392,632
Occupancy												
Office/retail	454,369	370,852	4,233,692	1,148,563	54,137	723,915	18,733	7,004,261	852,444	60,034	7,916,739	7,414,340
Client	3,197,922	-	-	-	-	-	-	3,197,922	-	-	3,197,922	866,756
Utilities												
Office	822,057	101,240	344,154	752,338	16,882	205,541	20,511	2,262,723	227,520	14,061	2,504,304	2,530,887
Client	147,549	-	-	-	-	18,596	-	166,145	3,637	-	169,782	55,944
Transportation	51,008	316	298,839	887,599	1,396	263,930	2,082	1,505,170	322,609	1,482	1,829,261	1,854,270
Equipment rental, repairs and maintenance	255,439	149,550	275,725	159,703	14,339	54,006	3,546	912,308	170,070	604	1,082,982	848,758
Facility repairs and maintenance	864,986	10,743	91,907	138,535	9,373	57,113	3,071	1,175,728	58,202	1,604	1,235,534	573,622
Client participation expenses	167,577	-	-	783,167	342,127	159,372	-	1,452,243	233,585	429	1,686,257	1,149,445
Staff expense	71,870	3,414	22,587	429,135	407	125,958	1,671	655,042	219,100	6,574	880,716	692,074
Insurance expense	70,605	19,977	105,815	402,052	5,090	132,369	13,918	749,826	176,786	7,433	934,045	795,173
Depreciation and amortization	1,126,046	-	204,498	416,119	4,683	-	-	1,751,346	566,230	-	2,317,576	2,487,312
Gift-in-kind expense	-	2,140,880	15,642,838	-	-	-	-	17,783,718	-	-	17,783,718	17,048,972
Event expense	-	4,074	41,314	1,087	-	142,968	-	189,443	190,862	535,910	916,215	701,823
Interest and finance fees	140,153	52,336	332,757	203,774	80	2,856	-	731,956	342,370	45,019	1,119,345	1,045,987
Cost of goods sold	-	191,666	22,818	13,059,334	1,131	-	-	13,274,949	-	-	13,274,949	12,555,412
Other expenses	31,950	465,268	499,694	114,823	11,134	64,013	95	1,186,977	404,981	128,541	1,720,499	1,722,070
Total expenses	\$ 14,237,299	\$ 5,062,779	\$ 29,201,521	\$ 47,039,630	\$ 886,587	\$ 9,451,684	\$ 1,012,605	\$ 106,892,105	\$ 13,126,337	\$ 1,422,066	\$ 121,440,508	\$ 106,431,444

The accompanying notes are an integral part of this consolidated financial statement.

Housing Work, Inc. and Affiliates

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2019, with summarized comparative totals for the year ended June 30, 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 22,862,762	\$ 3,675,766
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,317,576	2,487,312
Inherent contribution	(17,780,938)	-
Changes in operating assets and liabilities:		
Increase in health service receivables, net	(656,029)	(716,484)
Increase in grants and contract service receivables	(3,046,333)	(87,456)
Decrease in contributions receivable	-	148,550
Decrease (increase) in pharmacy receivables	150,830	624,714
Decrease in thrift shop and bookstore inventory	706,603	20,357
Decrease (increase) in prepaid expenses and other assets	84,019	(788,727)
Increase in security deposits and other assets	(375,725)	(29,672)
Increase (decrease) in accounts payable and accrued expenses	1,897,486	(1,065,029)
Increase in deferred revenue - housing and deferred revenue	2,111,503	2,761,845
Increase in deferred rent payable	263,000	164,906
Increase in other liabilities	267,639	402,523
Net cash provided by operating activities	8,802,393	7,598,605
Cash flows from investing activities:		
Cash received from acquisition	732,033	-
Purchases of property and equipment	(6,578,615)	(5,298,178)
Net cash used in investing activities	(5,846,582)	(5,298,178)
Cash flows from financing activities:		
(Increase) decrease in restricted cash-debt service and contingency reserve funds	(16,342)	445
Proceeds from loans	1,157,950	660,495
Repayments of loans payable	(1,301,850)	(2,239,125)
(Decrease) increase in noncontrolling interest	(414,993)	51,165
Net cash used in financing activities	(575,235)	(1,527,020)
Net increase in cash and cash equivalents	2,380,576	773,407
Cash and cash equivalents at beginning of year	1,922,732	1,149,325
Cash and cash equivalents at end of year	\$ 4,303,308	\$ 1,922,732
Supplemental cash flow information:		
Cash paid for interest	\$ 253,075	\$ 279,093

The accompanying notes are an integral part of this consolidated financial statement.

Housing Works, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Housing Works, Inc. (“HWI”) was organized in May 1990 for the purpose of providing assistance and expertise to homeless persons living with AIDS or HIV-related illnesses; advocating for homeless services; and providing expertise in the development of housing for homeless persons living with AIDS or HIV-related illnesses.

To assist in providing these services, HWI established the following separately incorporated affiliates (collectively, the “Organization”), which, through sole membership, are controlled by HWI:

Housing Works Used Book Café, Inc. (the “Bookstore”) was organized exclusively for the benefit of and to carry out the purposes of HWI by providing relief, assistance and financial support, directly or indirectly, to homeless persons living with AIDS or HIV-related illnesses. The Bookstore primarily sells donated books and records; the café serves sandwiches, soups and assorted refreshments and hosts special events.

Housing Works Thrift Shop, Inc. (“Thrift”) was organized exclusively for the benefit of and to carry out the purposes of HWI by providing relief, assistance and financial support, directly or indirectly, to homeless persons living with AIDS or HIV-related illnesses. Thrift receives and primarily sells clothing and other donated goods from twelve shops located in New York City.

Housing Works Food Services, Inc. (“HWFSC”) was organized exclusively for the benefit of and to carry out the purposes of HWI by providing relief, assistance and financial support, directly or indirectly, to homeless persons living with AIDS or HIV-related illnesses. HWFSC provides institutional catering services to day treatment centers, supportive residences and other facilities, including community catering.

Housing Works Services, Inc. (“HWS1”), located at 743-749 East 9th Street, New York City, was organized to establish one or more freestanding diagnostic and treatment facilities; be licensed under Article 28 of the New York State health law; and be located in New York City. These facilities provide a broad range of health services to persons living with AIDS or HIV-related illnesses. In addition, HWS1 promotes and carries out certain research and educational activities related to providing care to the sick, injured and disabled, and promoting the health of the public.

Housing Works Services II, Inc. (“HWS2”), with facilities located at 57 Willoughby Street, Brooklyn, New York, was organized to establish one or more freestanding diagnostic and treatment facilities; be licensed under Article 28 of the New York State health law; and be located in New York City. The facility provides a broad range of health services to persons living with AIDS or HIV-related illnesses. In addition, HWS2 promotes and carries out certain research and educational activities related to providing care to the sick, injured and disabled, and promoting the health of the public.

Housing Works Health Services III, Inc. (“HWS3”), located at 2626 Pitkin Avenue, Brooklyn, New York, was organized to establish one or more freestanding diagnostic and treatment facilities; be licensed under Article 28 of the New York State health law; and be located in New York City. This facility provides a broad range of health services to persons living with AIDS or HIV-related illnesses. In addition, HWS3 promotes and carries out certain research and educational activities related to providing care to the sick, injured and disabled, and promoting the health of the public.

Gotham Assets Management Services (“Gotham”) is a not-for-profit corporation established to provide property management and logistical services to the Organization. It was dissolved as of June 30, 2019.

Housing Works, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Housing Works Housing Development Fund Corporation (“HWDC1”), located at 743-749 East 9th Street, New York City, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Housing Works East New York Housing Development Fund Corporation (“HWDC2”), located at 2640 Pitkin Avenue, Brooklyn, New York, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Housing Works Harlem Housing Development Fund Corporation, Inc. (“HWDC3”), located at 143-145 West 130th Street, New York City, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Housing Works Pitkin Avenue Housing Development Fund Corporation, Inc. (“PitkinHDFC”), located at 2609 Pitkin Avenue, Brooklyn, New York, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Housing Works 454 Lexington Avenue Housing Development Fund Corporation, Inc. (“LEX”), located at 454 Lexington Avenue, New York City, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Housing Works 874 Jefferson Avenue Housing Development Fund Corporation, Inc. (“JEFF”), located at 874 Jefferson Avenue, Brooklyn, New York, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Bronx Claremont Parkway G.P., Inc. (“BCP”), an entity controlled by HWI was established and subsequently received a general partnership interest in Fitzpatrick Associates Limited Partnership (“Fitzpatrick”). Fitzpatrick was formed to acquire, own, finance, construct, develop and manage a multifamily supportive housing project. As of year-end, Fitzpatrick operates a housing facility consisting of sixteen apartment units, and BCP and Bronx Claremont Housing Development Fund Corporation (“BCHDFC”) retains its ownership interest to Fitzpatrick.

AIDS Treatment Data Network, Inc. (“ATDN”) is a not-for-profit, independent, community-based organization that provides case management and support services through one-on-one encounters. Resources are also provided to clients by way of various electronic media. It was dissolved as of June 30, 2019.

Life Force: Women Fighting AIDS, Inc. (“Life Force”) is a not-for-profit, independent, community-based organization whose mission is to reduce the incidence of HIV/AIDS and to address the other broad range of health issues of women of color, particularly in Brooklyn, New York. Life Force addresses the need for HIV education through peer-led education initiatives, and, in this effort, works to identify and mobilize the resources of the community it serves. It was dissolved as of June 30, 2019.

Housing Works 220 Hull Housing Development Fund Corporation (“Hull”), located at 220 Hull Street, Brooklyn, New York, was organized to develop vacant land, located at its address, into a supportive housing residence. Capital funding for the construction of the new housing facility is pending.

Positive Health Project, Inc. (“PHP”) is a not-for-profit, culturally diverse, community-based organization whose mission is to improve the health and quality of life of drug users, sex workers, and others who engage in behavior that puts them and the community at risk for HIV/AIDS, hepatitis and other sexually transmitted diseases. PHP accomplishes this by providing disease prevention, social and clinical health services, and education based in the harm reduction philosophy. PHP is funded primarily from government agencies.

Housing Works, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

HIV Law Project, Inc. (“HLP”) is a not-for-profit, community-based organization which believes that all people deserve the same rights, including the right to live with dignity and respect, the right to be treated as equal members of society, and the right to fulfill basic human needs. Yet, these fundamental rights are elusive for many people living with HIV/AIDS (“PLWHAs”). Through innovative legal services and advocacy programs, HLP fights for the rights of the most underserved PLWHAs.

Housing Works Lyman Prospect Housing Development Fund Corporation (“LPHDFC”), located at 57 Willoughby Street, Brooklyn, New York, was organized to provide supportive housing residence for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses at two buildings located at 1344 Lyman Place, Bronx, New York and 1412 Prospect Avenue, Bronx, New York.

BCHDFC was formed in fiscal year 2019, it took over the partnership share owned by USA Institutional Tax Credit Fund VII L.P. (“Prior Limited Partner”). On Dec 21, 2018, USA Institutional Tax Credit Fund VII L.P. transferred 99.99% limited partnership interest to BCHDFC. BCP, which has a 0.01% interest, remains the general partner. Due to this, Fitzpatrick is now 100% owned by HWI.

Bailey House, Inc., and Bailey-Holt House which it is the sole member of, were organized to provide housing, and supportive services to individuals in New York City living with HIV/AIDS. Bailey House Inc. and Bailey-Holt House were acquired as of January 1, 2019 by HWI.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) using the accrual basis of accounting. All intercompany transactions and balances have been eliminated in consolidation.

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as “net assets without donor restrictions” and “net assets with donor restrictions”;
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed in service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the consolidated financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

Housing Works, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

The Organization adopted ASU 2016-14 as of and for the year ended June 30, 2019 and has applied the amendments retrospectively as required by the standard.

Accordingly, the Organization's resources are classified and reported based upon the existence or absence of donor-imposed restrictions, as follows:

Net Assets Without Donor Restrictions

Represent net assets which are not restricted by donors. Net assets without donor restrictions are funds that are fully available for the Organization to utilize in any of its programs or supporting services. Net assets without donor restrictions may also be designated for specific purposes by the Organization's Board of Directors or may be limited by legal requirements or contractual agreements with outside parties.

Net Assets With Donor Restrictions

Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. Net assets with donor restrictions are subject to donor-imposed restrictions that require the Organization to use or expend the gifts as specified, based on purpose or passage of time. Net assets released from restrictions reflect the fulfillment of the time or purpose restrictions specified by the donors.

Net assets with donor restrictions also includes the corpus of gifts, which must be maintained in perpetuity, but allows for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes in accordance with donor stipulations.

The accompanying consolidated statement of activities reports changes in net assets by operating and non-operating activities. Non-operating activities include items considered to be of an unusual or of a non-recurring nature.

Thrift Shop and Bookstore Inventory

Inventory, which consists of donated goods for the thrift shops and bookstores, is stated at estimated fair value at the date of the gift. Fair value is determined using sales history and as such approximates the actual sales price of the donated items. The Organization receives donated goods via store drop-offs and residential pick-ups. In fiscal 2019 and 2018, through an agreement with the New York City ("NYC") Department of Sanitation, the Organization also received donated items via collection bins in buildings located throughout NYC.

Property and Equipment, Net

Property and equipment, net, are stated at cost at date of acquisition or fair value at date of contribution, if donated. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Amortization of leasehold improvements has been calculated over the lesser of the estimated useful lives of the assets or the related lease term. The Organization depreciates its assets using the half-year convention method in the first year the assets are placed in service. Assets are capitalized when the acquisition cost equals or exceeds the capitalization threshold of \$1,000. Assets are depreciated over the following useful lives:

Buildings and building improvements	30 years
Leasehold improvements	Lesser of the life of the lease or the asset 4 -15 years
Equipment, furniture and fixtures	4 - 13 years
Vehicles	4 years

Housing Works, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Long-Lived Assets

The Organization reviews long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Some factors the Organization considers important, which could trigger an impairment review, include: (i) significant underperformance compared to expected historical or projected future operating results; (ii) significant changes in the Organization's use of the acquired assets or the strategy for its overall business; and (iii) significant negative industry or economic trends.

Contributions, Grants and Contracts

The Organization recognizes revenue from contributions, grants and contracts in accordance with ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Accordingly, the Organization evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Organization applies guidance under Accounting Standards Codification ("ASC") Topic 606. If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Contributions, both cash and in-kind, are recorded in the period received as revenue with donor restrictions and revenue without donor restrictions depending upon the existence or absence of donor-imposed stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statement of activities as net assets released from restrictions. Contributions to be received after one year are discounted at an appropriate discount rate. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Conditional promises to give are not recognized until they become unconditional that when the condition on which they depend are substantially met.

In-kind contributions of clothing, books and various other items are recorded as revenue and also capitalized as part of the Organization's inventory. Upon the sale of these goods, the inventory is relieved and a related gift-in-kind expense is recorded representing the cost of the goods sold.

Revenue from governmental grants and contracts is recognized as either contributions or exchange transaction revenues, depending on whether the transaction is reciprocal or nonreciprocal. For contributions, revenue is recognized when a contribution becomes unconditional. Typically, contract and grant agreements contain a right of return or right of release from the respective obligation provision on the part of the grantor and the Organization has limited discretion over how funds transferred should be spent. As such, the Organization recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome, which is primarily when the related expenses are incurred in accordance with the terms of the respective grant or contract agreement. Funds received in advance of conditions being met are reported as deferred revenue within the accompanying statements of financial position.

Revenues

In accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the Organization recognizes revenue when control of the promised goods or services are transferred to the customers or outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

Housing Works, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Organization has identified Bookstore sales, Thrift shops sales, Health service revenue, Pharmacy Revenue, Rental income on apartments, Food services and Other revenue as revenue categories subject to the adoption of ASC 606. The Organization recognizes contracts with customers, as goods or services transferred or provided in accordance with ASC 606.

The results of applying ASC 606 did not have any impact on the consolidated statement of financial position, consolidated statements of activities, consolidated statement of cash flows, business processes, controls or systems of the Organization.

Pharmacy and Health services revenues are recognized in the period when services have been performed in compliance with the respective agreements. Amounts received in advance, if any, are reported as deferred revenue until earned. Revenues from the thrift shop and bookstore are recognized at the point of sale. Food services, which are generally driven by catering events, are recognized upon completion of the event. Rental income, which is generally earned pursuant to short-term leases for apartments, is recognized over the term of the lease as the performance obligations are satisfied. Apartment rents are paid partially by the tenants and partially subsidized through various federal programs.

Medicaid and Medicare revenue is reimbursed to the Organization at the rate determined by state and federal regulations. Medicaid revenue and third-party insurance payors are subject to examination and contractual adjustment, and amounts realizable may change due to periodic changes in the regulatory environment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the amounts provided and subsequent settlements are recorded in operations in the period of settlement. The provision for contractual allowances is deducted directly from revenue and the net revenue amount is recorded as a receivable. It is management's opinion that any potential disallowances will not have a material effect on the accompanying consolidated financial statements.

Allowance for Uncollectible Accounts

The carrying value of grants and contract services receivable, contributions receivable, pharmacy receivable, and health services receivable are reduced by an appropriate allowance for uncollectible accounts, and therefore approximates net realizable value. The Organization determines its allowance by considering a number of factors, including the length of time receivables are past due, the Organization's previous loss history, the donor's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. Receivables outstanding longer than the payment terms are considered past due. The Organization writes off accounts receivables when they become uncollectible, and payments subsequently received on such receivables are recorded as income in the period received.

Concentration of Credit Risk

Cash is exposed to various risks, such as interest rate, market and credit risks. To minimize such risks, the Organization maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. At June 30, 2019 and 2018, the Organization's cash was placed with high credit quality financial institutions and, accordingly, the Organization does not anticipate any losses with respect to these depository accounts.

Housing Works, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Taxes

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Organization, except BCP, is exempt from federal income taxation by virtue of being an organization described in Section 501(c)(3) of the Internal Revenue Code. Nevertheless, the Organization may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code.

Presentation of Certain Prior Year Summarized Information

The accompanying consolidated financial statements include prior year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization’s consolidated financial statements as of and for the year ended June 30, 2018, from which the summarized comparative information was derived.

New Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Organization for fiscal year 2021. Early adoption is permitted. The Organization is in the process of evaluating the impact this standard will have on the consolidated financial statements.

Housing Works, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE 3 - PROPERTY AND EQUIPMENT, NET

At June 30, 2019 and 2018, property and equipment, net, consisted of the following:

	2019	2018
Land	\$ 17,609,069	\$ 1,609,069
Buildings and building improvements	25,760,379	22,600,380
Equipment, furniture and fixtures	9,893,052	9,774,190
Vehicles	472,424	472,424
Leasehold improvements	19,583,098	19,523,238
Capital leases	2,248,539	2,866,721
	75,566,561	56,846,022
Less: Accumulated depreciation and amortization	(39,042,633)	(37,415,574)
Add: Construction in progress	11,725,862	5,222,112
	\$ 48,249,790	\$ 24,652,560

A portion of the Organization's property and equipment was purchased with funding received from the U.S. Department of Health and Human Services and the U.S. Department of Housing and Urban Development. Funding for certain capital expenditures was provided with the stipulation that if the Organization ceases to operate certain programs, which in management's opinion is unlikely, the related property and equipment could revert to the funding source.

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 totaled approximately \$2,318,000 and \$2,487,000, respectively.

Capital Leases

The Organization leases various office equipment under non-cancelable leasing arrangements that are classified as capital leases. The accumulated depreciation, included within "Property and equipment, net" in the accompanying consolidated statement of financial position at June 30, 2019 and 2018, was \$1,591,137 and \$1,993,758, respectively.

Future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, included within "Loans payable" in the accompanying consolidated statement of financial position at June 30, 2019, were as follows:

2020	\$ 251,842
2021	251,842
2022	192,240
	695,924
Less: Amount representing interest	(19,741)
	\$ 676,183

Housing Works, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE 4 - INVESTMENTS

Related Entities

During fiscal 2003, the Organization acquired an 18% ownership interest in Amida Care, Inc. for \$300,000, which was accounted for at cost. A \$300,000 impairment of this investment was recorded during fiscal 2005. During the year ended June 30, 2018, the Organization did not contribute additional capital, however the ownership interest in Amida Care, Inc. was adjusted to 16.67%. At June 30, 2019 and 2018, the investment in Amida Care, Inc. was fully reserved for since Amida Care, Inc. had an accumulated deficit at those times. In addition, the Organization has entered into and guaranteed loans on behalf of Amida Care, Inc. (Note 5).

On June 7, 2010, BCP, an entity controlled by HWI, was admitted without consideration as General Partner to Fitzpatrick with a partnership interest of 1%. Fitzpatrick was formed to acquire, own, construct, develop, manage and operate a supportive housing facility. The facility consists of eighteen (18) apartment units available for rental to homeless and low-income individuals. The facility was financed through a note from the Homeless Housing Assistance Corporation ("HHAC") in the amount of approximately \$2.1 million and through the sale of limited partnership interests to U.S.A. Institutional Tax Credit Fund VII L.P. HWI is acting as guarantor on the HHAC mortgage. BCP is deemed to control Fitzpatrick, and, accordingly, the consolidated financial position of Fitzpatrick and BCP is reflected in the consolidated financial statements of the Organization as of June 30, 2018. On December 21, 2019, USA Institutional Tax Credit Fund VII L.P. transferred its 99.99% interest in Fitzpatrick to BCHDFC, effectively making Housing Works Inc. 100% owner of Fitzpatrick. BCP still owns 0.01% of the Partnership and remains the General Partner whereas BCHDFC is the limited partner. As of June 30, 2019, Fitzpatrick remains within the consolidated financial statements of the Organization, however the transfer of the limited partnership interests to BCHDFC for \$25,500 resulted in the removal of the non-controlling interest and a gain recognized in the amount of \$389,493.

Housing Works, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE 5 - LOANS PAYABLE

At June 30, 2019 and 2018, loans payable consisted of the following:

	2019	2018
Bonds payable - \$4,285,000 face amount, due July 2022, payable in monthly installments with interest at 3.25% at June 30, 2019 and 2018. This is a tax-exempt Dormitory Authority of the State of New York ("DASNY") bond and is secured by the related property at 2626 Pitkin Avenue, Brooklyn, New York.	\$ 1,165,000	\$ 1,505,000
Bonds payable - \$3,925,000 face amount, due July 2022, payable in monthly installments with interest at 3.25% at June 30, 2019 and 2018. This is a tax-exempt bond with DASNY and is secured by the related property at 743-749 East 9th Street, NYC.	1,095,000	1,405,000
Promissory Note, Guaranteed Loan from Non-Profit Finance Fund in the amount of 2.6 million dollars. The loan bears interest rate of 6.375% and matures on June 30, 2020.	755,331	-
Loan payable - \$128,571 representing the Organization's pro rata share of a loan guaranteed by Amida Care, Inc. The loan is payable by Amida Care, Inc. at an interest rate of 9% per annum. The Organization is required to make quarterly interest-only payments.	8,902	22,789
Loan payable - \$500,000 face amount payable in monthly installments of principal and interest. Interest is 6.50% per annum over an amortization period of 10 years. The loan is through the Low Income Investment Fund and matures on October 1, 2021.	70,115	114,449
Loan payable - \$120,000 loan through Deutsche Bank, which is non-interest bearing and due in three \$40,000 installments on November 30, 2019, 2020, and 2021. The loan proceeds are to be used towards the 2605-2611 Pitkin Ave New Supportive Housing Development.	120,000	80,000
LOC from Non Profit Finance Fund - \$2,200,000 face amount due in one year. Balance currently zero on this LOC but is readily available for use.	-	-
LOC from BNB Bank - LOC bears Interest rate of 6% payable monthly. Total LOC is 1.5 million dollars and maturity date is June 2020.	810,722	-
Liabilities under capital leases (Note 3)	676,183	889,889
Total loans payable	4,701,253	4,017,127
Less: Current maturities	(1,787,915)	(942,094)
Less: Bond issuance costs	(295,316)	(295,316)
Long-term portion	\$ 2,618,022	\$ 2,779,717

Housing Works, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Loans not associated with housing facilities are collateralized by the Thrift inventory and/or the Medicaid receivables.

Future principal payments on loans payable are as follows at June 30, 2019:

Year ending June 30,

2020	\$ 2,663,245
2021	987,710
2022	1,050,298
Thereafter	<u>-</u>
	<u>\$ 4,701,253</u>

For the years ended June 30, 2019 and 2018, interest expense totaled approximately \$253,000 and \$258,000, respectively.

At June 30, 2019 and 2018, debt service and contingency reserve funds totaled approximately \$853,000 and \$838,000, respectively, and consisted of cash on deposit. These assets are maintained with the trustee in accordance with the DASNY bond indentures and collateral with financial institutions as required by the respective loan agreements.

Mortgage loans provided by DASNY included funding for start-up costs.

NOTE 6 - MEDICAID

During the year ended June 30, 2019, the Organization filed a rate appeal with New York State Department of Health - Office of Health Insurance Programs (OHIP). The appeal was successful and HWI received additional payments of approximately \$1,460,000 which were recognized as health service revenue for the year ended June 30, 2019.

NOTE 7 - PHARMACY 340B PROGRAM

The Organization participated in the United States federal program requiring drug manufactures to provide outpatient drugs to eligible health care organizations at significantly reduced prices. The intent of the program is to allow entities to stretch federal resources, reaching more eligible patients and providing more comprehensive services to them. The Organization has contracted with community pharmacies to administer these services to their patients for a fee. These contracts authorize the pharmacy to bill Medicaid, Medicare and third-party insurance remitting the collected funds less their fees to the Organization. The pharmacy fees cover the cost of drugs and administrative fees, and allow the pharmacy to purchase directly from the drug wholesalers the drugs which replenish their stock. At June 30, 2019 and 2018, the Organization recognized revenue of approximately \$23,706,000 and \$22,122,000, respectively, and expenses of approximately \$16,366,000 and \$15,084,000, respectively, for the cost of drugs and administrative fees. For the year ended June 30, 2019, the cost of drugs in the amount of approximately \$13,059,000 is presented within cost of goods sold and the administrative fees in the amount of approximately \$3,307,000 is presented within contracted services, respectively, within the accompanying consolidated statement of functional expenses. For the year ended June 30, 2018, the cost of drugs in the amount of approximately \$12,166,000 is presented within cost of goods sold and the administrative fees in the amount of approximately \$2,918,000 is presented within contracted services, respectively, within the accompanying consolidated statement of functional expenses.

Housing Works, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE 8 - DEFERRED REVENUE - HOUSING

The Bronx-Claremont homeless housing facility associated with Fitzpatrick was financed through two notes. The first note is from the New York State Homeless Housing Assistance Corporation ("HHAC"), and closed on July 30, 1997 in the amount of \$2,113,216 with a term of thirty years. The note bears no interest and repayment is not required as long as the housing facility remains available for low-income persons in accordance with regulatory agreements and regulations. The Organization believes that the possibility of the facility not maintaining its status as a low-income housing facility throughout the term of the advance is remote, and therefore, repayment would not be required. As such, the Organization believes that the appropriate treatment of the advance is to be recognized as deferred revenue that is amortized into service revenue over the thirty-year life of the agreement. At June 30, 2019 and 2018, the unamortized balances of approximately \$569,000 and \$640,000, respectively, were reflected in the consolidated statement of financial position as "Deferred revenue - housing." The second note is from the NYC Department of Housing and Urban Development, and closed on November 1995 in the amount of \$150,000 under a similar arrangement also covering a thirty-year term. As such, the Organization believes that the appropriate treatment of the advance is to be recognized as deferred revenue that is amortized into service revenue over the thirty-year life of the agreement. At June 30, 2019 and 2018, the unamortized balances of approximately \$30,000 and \$37,000, respectively, were reflected in the consolidated statement of financial position as "Deferred revenue - housing."

During the fiscal year 2012, the Organization's 874 Jefferson Housing Development Fund Corporation received funds of \$252,608 from the New York City Department of Housing Preservation and Development under a similar arrangement which covers a twenty-five year term. The Organization is amortizing this amount into service revenue over that term. At June 30, 2019 and 2018, the unamortized balances of approximately \$177,000 and \$186,000, respectively, were reflected in the consolidated statement of financial position as part of "Deferred revenue - housing."

During the fiscal year 2014, the Organization acquired two additional properties with a fair value of approximately \$2,250,000 as part of a contract with the HHAC. The contract has a remaining term of fourteen years and requires the Organization to provide housing for persons that would otherwise be homeless. Performance under the terms of the contract is secured by mortgage notes on the properties that are only payable in the event the Organization defaults under the terms of the contract. The Organization believes that the possibility of the facility not maintaining its status as a homeless housing facility throughout the term of the contract to be remote, and therefore, repayment would not be required. As such, the properties received have been recorded at their fair value with the corresponding mortgage note recorded as a credit to deferred revenue to be recognized as the Organization performs over the remaining year terms of the contract. At June 30, 2019 and 2018, the unamortized balance of approximately \$1,380,000 and \$1,540,000, respectively, was reflected in the consolidated statement of financial position as "Deferred revenue - housing."

During the fiscal year 2017, the Organization's 220 Hull Housing Development Fund Corporation entered into an agreement with The New York State Homeless Housing Assistance Corporation and other agencies to establish and operate a project to provide housing for homeless people. The agreements covers a twenty-five year term with the maximum amount to be received of approximately \$9,216,000. Repayment is not required as long as the housing facility remains available for low-income persons in accordance with regulatory agreements and regulations. The Organization believes that the possibility of the facility not maintaining its status as a low-income housing facility throughout the term of the advance is remote, and therefore, repayment would not be required. As such, the Organization believes that the appropriate treatment of the funds is to be recognized as deferred revenue that is amortized into service revenue over the twenty-five year life of the agreements, which will commence upon completion of construction and occupancy. At June 30, 2019 and 2018, the unamortized balance of approximately \$6,728,000 and \$3,025,000, respectively, was reflected in the consolidated statement of financial position as part of "Deferred revenue -housing."

Housing Works, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

During fiscal year 2019, Housing Works Inc. acquired two more entities, Bailey House Inc. and Bailey Holt House. Bailey Holt House had entered into an agreement similar to those noted above with the HHAC to operate a project and provide housing for homeless and low-income people. The agreement was signed back in 1999 for a 30-year term. Repayment is not required as long as housing facility remains for homeless and low-income individuals and all regulations and requirements of the agreement are met. The Organization believes that the possibility of the facility not maintaining its status as a homeless housing facility throughout the term of the contract to be remote, and therefore, repayment would not be required. As such, the deferred revenue would be recognized as the organization performs over the remaining terms of the contract. As of June 30, 2019, unamortized balance of approximately \$1,693,000 is reflected as part of "Deferred revenue - housing."

NOTE 9 - NET ASSETS AND ENDOWMENT FUNDS

Net assets with donor restrictions were available for the following purposes at June 30, 2019 and 2018:

	2019	2018
Time-restricted	\$ 507,435	\$ 785,801
Purpose-restricted	182,873	-
Endowment fund held in perpetuity	657,515	657,515
Total	\$ 1,347,823	\$ 1,443,316

Net assets were released from restrictions by incurring expenses and other costs satisfying the restricted purposes, passage of time, or occurrence of other events for the years ended June 30, 2019 and 2018 as follows:

	2019	2018
Time-restricted	\$ 1,074,351	\$ 927,944
Purpose-restricted	72,127	-
Total	\$ 1,146,478	\$ 927,944

During fiscal 2006, the Organization received two donor-restricted endowments. One was established in the name of Keith Cylar and the other as a general endowment. During the year ended June 30, 2012, the Organization received permission from the two largest contributors to the endowment stating that the funds they contributed could be borrowed to cover operating costs and as such liquidated these assets during the year. Management plans to replenish the borrowed endowment funds.

On September 17, 2010, New York State passed the New York State Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the UPMIFA. All not-for-profit organizations formed in New York must apply this law. The Organization classifies donor-restricted endowment funds as permanently restricted net assets, unless otherwise stipulated by the donor: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the uses, benefits, purposes and duration for which the endowment is established and the standard of prudence prescribed by NYPMIFA.

Housing Works, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return of investments; general economic conditions; the possible effects of inflation and deflation; other resources of the Organization; and the investment policy of the Organization.

The following tables illustrate the changes in the Organization's endowment net assets as of June 30, 2019 and 2018:

	2019		
	Net assets without Donor Restrictions	Net assets with Donor Restrictions	Total
Donor-restricted (endowment)	\$ (657,515)	\$ 657,515	\$ -
	2018		
	Net assets without Donor Restrictions	Net assets with Donor Restrictions	Total
Donor-restricted (endowment)	\$ (657,515)	\$ 657,515	\$ -

There were no endowment related activities for the years ended June 30, 2019 and 2018.

NOTE 10 - DEFINED CONTRIBUTION PLAN

The Organization established a defined contribution plan for all eligible employees effective December 21, 1999. Effective July 1, 2008, after modifying the plan, the Organization began matching, up to a maximum of \$100 per month, each employee's contribution to the 403(b) plan. Employees are all immediately 100% vested in the match. The Organization's contribution for the years ended June 30, 2019 and 2018 totaled approximately \$289,000 and \$149,000, respectively.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Organization is a party to various non-cancelable operating leases. These leases require minimum monthly rental payments during the first year of each lease and have scheduled increases thereafter.

Future minimum lease payments under these non-cancelable operating leases are as follow at June 30, 2019:

Year ending June 30, 2019

2020	\$ 11,525,317
2021	9,234,605
2022	7,236,346
2023	6,560,756
2024	5,773,923
Thereafter	23,386,320
	\$ 63,717,267

Housing Works, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

For the years ended June 30, 2019 and 2018, rent expense totaled approximately \$11,115,000 and \$8,281,000, respectively.

The straight-line basis is used to recognize rental expense under leases with varying rents over their terms. Deferred rent payable reflected in the accompanying consolidated statements of financial position represents the aggregate of the rent expense recognized on the straight-line basis in excess of the amount paid.

The Organization has been named in several lawsuits in the normal course of business. In the opinion of management, these claims are not expected to have a material adverse effect on the Organization's consolidated financial position, changes in net assets or cash flows.

The Organization participates in a number of federal and state programs. These programs require that the Organization comply with certain requirements of laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government contracts by government agencies is presently not determinable, it should not, in the opinion of management, have a material effect on the Organization's consolidated financial position or change in net assets. Accordingly, no provision for any such liability that may result has been made in the accompanying consolidated financial statements.

NOTE 12 - AVAILABILITY RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also maintaining sufficient funds to provide reasonable assurance that commitments and obligations supporting mission fulfillment will continue to be met.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing operating activities to support those activities to be general expenditures. As of June 30, 2019, the following table shows the total financial assets held by the Organization that could readily be made available within one year of the statement of financial position date to meet general expenditures:

Financial assets at year-end:	
Cash and cash equivalents	\$ 4,303,308
Health services receivables, net	6,494,628
Grants and contract services receivables	9,775,660
Contributions receivables	5,000
Pharmacy receivables	<u>1,654,184</u>
Total financial assets at year-end	22,232,780
Unused portion of line of credit at year-end	<u>2,889,278</u>
Total financial assets available at year-end	<u>25,112,058</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>1,347,823</u>
Financial assets available to meet general expenditures over the next 12 Months	<u>\$ 23,774,235</u>

Housing Works, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE 13 - ACQUISITION

On January 1, 2019, HWI entered into a combination agreement with Baily House and Baily Holt House to become their sole member. The determination to acquire was predicated on the similarities in mission. Baily House and Baily Holt House provide coordinated community services and supportive housing to individuals in NYC living with HIV/AIDS. This acquisition was affected without the transfer of consideration, and as such an inherent contribution of \$17,780,938 was recognized, which represented the excess of the acquisition date fair values of the identifiable assets acquired over the acquisition date fair values of the liabilities assumed.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	<u>Bailey House</u>
Cash and cash equivalents	\$ 732,033
Grant receivable	1,927,060
Health service receivable	767,782
Prepaid expenses	540,786
Fixed assets, net	19,336,191
Security deposit and other assets	190,529
Accounts payable and accrued expenses	(1,755,739)
Deferred revenue	(1,368,124)
Deferred revenue - Housing	(1,778,858)
Line of credit	(810,722)
	<u>\$ 17,780,938</u>

NOTE 14 - SUBSEQUENT EVENTS

The Organization evaluated its June 30, 2019 consolidated financial statements for subsequent events through March 31, 2020, the date the consolidated financial statements were issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements, except as noted below.

Housing Works Inc. plans to dissolve Fitzpatrick partnership and BCP and transfer 100% ownership to Bronx Claremont Housing Development Fund Corporation.

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on our funding agencies, donors, customers, thrift stores, employees and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact our financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

SUPPLEMENTARY INFORMATION

Housing Work, Inc. and Affiliates
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
As of June 30, 2019

ASSETS	HWI	Thrft	Bookstore	HWFSC	HWDC1	HWDC2	HWDC3	PitkinHDFC	LEX	JEFF	BCP	Hull	LPHDFC	BCHDFC	PHP	HLP	Gotham	ATDN	Life Force	HWS1	HWS2	HWS3	HWS4	BH	BHH	Total	
CURRENT ASSETS																											
Cash	\$ 1,505,738	\$ 415,142	\$ 7,572	\$ 3,500	\$ 156,315	\$ 147,444	\$ 67,301	\$ -	\$ 125,073	\$ 54,081	\$ 13,741	\$ -	\$ 72,262	\$ -	\$ 500	\$ 190,199	\$ -	\$ -	\$ -	\$ 7,701	\$ 6,750	\$ 1,401,717	\$ -	\$ 128,272	\$ -	\$ 4,303,308	
Health service receivables, net	1,406,875	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,408,832	2,242,926	667,717	120,590	647,688	-	6,494,628	
Grant and contract service receivables	4,014,942	-	-	-	-	-	-	-	-	-	-	131,965	-	-	64,145	258,149	-	-	-	153,377	48,913	836,577	-	4,268,592	-	9,775,660	
Contributions receivable	-	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,000	
Pharmacy receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,654,184	-	-	-	1,654,184	
Thrift shop and bookstore inventory, net	-	5,704,779	1,083,588	13,730	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,802,097	
Intercompany receivable/payable	14,932,476	6,437,720	(1,859,203)	(3,486,668)	(468,365)	(580,832)	(3,635,430)	(1,071,397)	(3,032,358)	(1,446,086)	(921,562)	251,845	(364,957)	389,493	(1,182,096)	(492,952)	-	-	-	(6,229,348)	(8,948,327)	14,107,671	(112,516)	15,094,598	(17,381,706)	-	
Prepaid expenses and other assets	1,138,097	401,054	50,627	-	14,739	41,102	3,293	-	720	15,004	98,009	-	122,354	-	-	-	-	-	-	1,800	-	279,795	-	25,000	-	2,191,594	
Total current assets	22,998,128	12,963,695	(717,416)	(3,469,438)	(297,311)	(392,286)	(3,564,836)	(1,071,397)	(2,906,565)	(1,377,001)	(809,812)	383,810	(170,341)	389,493	(1,117,451)	(44,604)	-	-	-	(4,657,638)	(6,649,738)	18,946,661	8,074	20,164,150	(17,381,706)	31,226,471	
LONG-TERM ASSETS																											
Restricted cash - debt service and contingency reserve funds	1,323	-	-	-	-	-	-	-	-	-	402,756	-	-	-	-	-	-	-	-	199,097	45,189	205,592	-	-	-	853,957	
Security deposits and other assets	556,579	901,310	-	-	-	-	5,545	-	3,210	-	3,845	-	-	-	24,665	57,800	-	-	-	1,750	90,150	6,435	-	255,540	-	1,906,829	
Property and equipment, net	1,524,553	855,600	156,101	2,058	2,043,419	1,812,073	2,469,391	699,680	1,946,896	2,678,985	874,498	7,266,734	513,823	-	390,473	-	-	-	-	1,699,186	132,532	3,934,770	-	141,121	19,107,897	48,249,790	
Total long-term assets	2,082,455	1,756,910	156,101	2,058	2,043,419	1,812,073	2,474,936	699,680	1,950,106	2,678,985	1,281,099	7,266,734	513,823	-	415,138	57,800	-	-	-	1,900,033	267,871	4,146,797	-	396,661	19,107,897	51,010,576	
Total assets	\$25,080,583	\$14,720,605	\$ (561,315)	\$ (3,467,380)	\$1,746,108	\$1,419,787	\$ (1,089,900)	\$ (371,717)	\$ (956,459)	\$1,301,984	\$ 471,287	\$7,650,544	\$ 343,482	\$ 389,493	\$ (702,313)	\$ 13,196	\$ -	\$ -	\$ -	\$ (2,757,605)	\$ (6,381,867)	\$23,093,458	\$ 8,074	\$20,560,811	\$ 1,726,191	\$82,237,047	
LIABILITIES AND NET ASSETS																											
CURRENT LIABILITIES																											
Accounts payable and accrued expenses	\$ 7,025,057	\$ 354,034	\$ 230,063	\$ 113,715	\$ 21,729	\$ 24,700	\$ 897	\$ 3,576	\$ -	\$ 2,236	\$ 12,692	\$ 321,640	\$ 71,172	\$ 1,006	\$ 25,192	\$ 31,790	\$ -	\$ -	\$ -	\$ 235,859	\$ 113,132	\$ 2,067,414	21,224	\$ 2,090,315	\$ -	\$12,767,443	
Current maturities of loans payable	297,193	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	325,000	-	355,000	-	-	-	1,787,915	
Total current liabilities	7,322,250	354,034	230,063	113,715	21,729	24,700	897	3,576	-	2,236	12,692	321,640	71,172	1,006	25,192	31,790	-	-	-	560,859	113,132	2,422,414	21,224	2,901,037	-	14,555,358	
LONG-TERM LIABILITIES																											
Loans payable	578,007	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	618,761	-	1,421,254	-	-	-	2,618,022	
Deferred revenue - housing	-	-	-	-	-	-	-	-	-	176,826	600,406	6,727,299	1,379,464	-	-	-	-	-	-	-	-	-	-	-	1,692,784	10,576,779	
Deferred revenue	192,853	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	197,853	
Deferred rent payable	490,685	1,094,374	-	-	-	-	-	-	-	-	-	-	-	-	65,743	-	-	-	-	-	389,434	-	-	28,212	-	2,068,448	
Other liabilities	(41)	99,749	1,074	-	-	-	-	-	-	-	-	610,521	-	-	-	-	-	-	-	-	-	-	-	(5,685)	-	849,260	
Total long-term liabilities	1,261,504	1,199,123	1,074	-	-	-	-	-	-	176,826	600,406	7,337,820	1,379,464	-	65,743	-	-	-	-	-	618,761	389,434	1,564,896	-	22,527	1,692,784	16,310,362
Total liabilities	8,583,754	1,553,157	231,137	113,715	21,729	24,700	897	3,576	-	179,062	613,098	7,659,460	1,450,636	1,006	90,935	31,790	-	-	-	1,179,620	502,566	3,987,310	21,224	2,923,564	1,692,784	30,865,720	
NET ASSETS (DEFICIT)																											
Without donor restrictions	15,185,256	13,167,448	(792,452)	(3,581,095)	1,724,379	1,395,087	(1,090,797)	(375,293)	(956,459)	1,122,922	(141,811)	(8,916)	(1,107,154)	388,487	(793,248)	(55,677)	-	-	-	(3,937,225)	(6,884,433)	19,106,148	(13,150)	17,637,247	33,407	50,022,671	
With donor restrictions	1,311,573	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,083	-	-	-	-	-	-	-	-	-	-	1,348,656
Total net assets (deficit)	16,496,829	13,167,448	(792,452)	(3,581,095)	1,724,379	1,395,087	(1,090,797)	(375,293)	(956,459)	1,122,922	(141,811)	(8,916)	(1,107,154)	388,487	(793,248)	(18,594)	-	-	-	(3,937,225)	(6,884,433)	19,106,148	(13,150)	17,637,247	33,407	51,371,327	
Total liabilities and net assets (deficit)	\$25,080,583	\$14,720,605	\$ (561,315)	\$ (3,467,380)	\$1,746,108	\$1,419,787	\$ (1,089,900)	\$ (371,717)	\$ (956,459)	\$1,301,984	\$ 471,287	\$7,650,544	\$ 343,482	\$ 389,493	\$ (702,313)	\$ 13,196	\$ -	\$ -	\$ -	\$ (2,757,605)	\$ (6,381,867)	\$23,093,458	\$ 8,074	\$20,560,811	\$ 1,726,191	\$82,237,047	

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Housing Works, Inc. and Affiliates
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2019

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through identifier	Federal expenditures	Amounts provided to subrecipients
U.S. Department of Health and Human Services:				
Passed through Public Health Solutions:				
HIV Emergency Relief Project Grants	93.914	16-MHV-503	\$ 160,332	\$ -
HIV Emergency Relief Project Grants	93.914	16-MHV-503	91,123	-
HIV Emergency Relief Project Grants	93.914	14-STH-503	427,389	-
HIV Emergency Relief Project Grants	93.914	14-STH-503	179,948	-
HIV Emergency Relief Project Grants	93.914	17-LSN-660	227,086	-
HIV Emergency Relief Project Grants	93.914	17-LSN-660	123,642	-
HIV Emergency Relief Project Grants	93.914	09-MCM-503	33,567	-
HIV Emergency Relief Project Grants	93.914	18-CCR-870	226,755	-
HIV Emergency Relief Project Grants	93.914	18-CCR-870	109,304	-
HIV Emergency Relief Project Grants	93.914	16-HRM-503	264,493	-
HIV Emergency Relief Project Grants	93.914	16-HRM-503	109,837	-
HIV Emergency Relief Project Grants	93.914	16-MHV-540	46,435	-
HIV Emergency Relief Project Grants	93.914	16-MHV-540	46,796	-
HIV Emergency Relief Project Grants	93.914	14-STH-540	93,237	-
HIV Emergency Relief Project Grants	93.914	14-STH-540	123,282	-
HIV Emergency Relief Project Grants	93.914	14-HPC-540	20,000	-
HIV Emergency Relief Project Grants	93.914	14-HPC-540	8,860	-
HIV Emergency Relief Project Grants	93.914	11-TCC-540	50,876	-
HIV Emergency Relief Project Grants	93.914	11-TCC-540	103,835	-
HIV Prevention Activities Health Department Based	93.940	16-BTP-503	73,251	-
HIV Prevention Activities Health Department Based	93.940	16-BTP-503	204,912	-
			<u>2,724,960</u>	<u>-</u>
Passed through Health Research Inc.:				
HIV Care Formula Grants	93.917	5320.03	253,404	-
HIV Care Formula Grants	93.917	5320.04	82,709	-
			<u>336,113</u>	<u>-</u>
Passed through NYC Human Resources Administration:				
Temporary Assistance for Needy Families	93.558	CT1 069 20171426363	31,589	-
Temporary Assistance for Needy Families	93.558	CT1 069 20171426363	10,290	-
			<u>41,879</u>	<u>-</u>
Consolidated Health Centers	93.224	N/A	1,453,515	-
Consolidated Health Centers	93.224	N/A	87,368	-
			<u>1,540,883</u>	<u>-</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	130,851	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	352,229	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	114,978	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	109,413	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	44,621	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	128,795	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	131,753	-
			<u>1,012,640</u>	<u>-</u>
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526	N/A	46,635	-
			<u>46,635</u>	<u>-</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	39,717	-
			<u>39,717</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>5,742,827</u>	<u>-</u>

The accompanying notes to Schedule of Expenditures of Federal Awards should be read in conjunction with this schedule.

Housing Works, Inc. and Affiliates

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the year ended June 30, 2019

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through identifier	Federal expenditures	Amounts provided to subrecipients
U.S. Department of Housing and Urban Development				
Continuum of Care Program	14.267	N/A	\$ 174,853	\$ -
Continuum of Care Program	14.267	N/A	351,224	-
Continuum of Care Program	14.267	N/A	392,792	-
Continuum of Care Program	14.267	N/A	85,930	-
Continuum of Care Program	14.267	N/A	321,038	-
Continuum of Care Program	14.267	N/A	36,417	-
Continuum of Care Program	14.267	N/A	329,403	-
Continuum of Care Program	14.267	N/A	889,860	-
Continuum of Care Program	14.267	N/A	147,111	-
Continuum of Care Program	14.267	N/A	140,305	-
Continuum of Care Program	14.267	N/A	65,537	-
Continuum of Care Program	14.267	N/A	93,072	-
Continuum of Care Program	14.267	N/A	225,128	-
Continuum of Care Program	14.267	N/A	364,107	-
Housing Opportunities for Persons with AIDS	14.241	N/A	56,845	-
Housing Opportunities for Persons with AIDS	14.241	N/A	113,683	-
Housing Opportunities for Persons with AIDS	14.241	N/A	33,886	-
Housing Opportunities for Persons with AIDS	14.241	N/A	77,595	-
Housing Opportunities for Persons with AIDS	14.241	N/A	172,738	-
			<u>4,071,523</u>	<u>-</u>
Passed through NYC Human Resources Administration:				
Housing Opportunities for Persons with AIDS	14.241	CT1 069 20150001701	444,326	-
Housing Opportunities for Persons with AIDS	14.241	CT1 069 20111426901	615,631	-
Housing Opportunities for Persons with AIDS	14.241	CT1 069 20121428071	392,183	-
Housing Opportunities for Persons with AIDS	14.241	CT1 069 20191421258	228,190	-
Housing Opportunities for Persons with AIDS	14.241	CT1 069 20171426363	182,016	-
Housing Opportunities for Persons with AIDS	14.241	CT1 069 20171426363	59,291	-
Housing Opportunities for Persons with AIDS	14.241	CT1 069 20160000482	629,488	-
			<u>2,551,125</u>	<u>-</u>
Passed through NYC Human Resources Administration:				
Continuum of Care Program	14.267	POD 071 20192021815	7,591	-
			<u>7,591</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>6,630,240</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 12,373,067</u>	<u>\$ -</u>

The accompanying notes to Schedule of Expenditures of Federal Awards should be read in conjunction with this schedule.

Housing Works, Inc. and Affiliates

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant expenditures of Housing Works, Inc. and Affiliates (collectively, the "Organization") for the year ended June 30, 2019 and is 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - GRANT REVENUE FROM PUBLIC HEALTH SOLUTIONS

The following fiscal 2019 grant revenue from Public Health Solutions is included within "Grants and contract services" in the accompanying consolidated statement of activities for the year ended June 30, 2019:

<u>Program title</u>	<u>Grant number</u>	<u>Fiscal 2019 revenue</u>
Mental Health Services	16-MHV-503	\$ 465,547
Mental Health Services	16-MHV-540	149,651
Transitional Care Coordination	11-TCC-540	373,481
Harm Reduction Services	16-HRM-503	527,523
Ryan White Part A Care Coordination Program for New York City	09-MCM-503	43,031
Ryan White Part A Care Coordination Program for New York City	18-CCR-870	522,009
Short Term Housing - Ryan White	14-STH-503	607,337
Short Term Housing - Ryan White	14-STH-540	216,831
Housing Placement Assistance	14-HPC-540	70,000
HIV Testing and Status Neutral Prevention: BTP	16-BTP-503	372,024
Ryan White Part A - Legal Services (HLP)	17-LSN-660	682,796
Total		<u>\$ 4,030,231</u>

NOTE 3 - INDIRECT COST RATE

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Housing Works, Inc. and Affiliates:

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 Housing Works, Inc. and Affiliates (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2020.

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 design 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 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 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 the Organization's 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 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*.

Intended purpose

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 report is not suitable for any other purpose.



New York, NY
March 31, 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Housing Works, Inc. and Affiliates:

Report on compliance for each major federal program

We have audited the compliance of Housing Works, Inc. and Affiliates (collectively, the "Organization") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to the Organization's federal programs.

Auditor's 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* 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 June 30, 2019.

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 compliance requirements that could have a direct and material effect on each major federal program to design audit 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 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 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. Given these limitations, during our audit we did not identify any deficiencies in the Organization's 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.



New York, New York
March 31, 2020

Housing Works, Inc. and Affiliates
Summary Schedule of Findings and Questioned Costs
For the year ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to consolidated financial statements noted? _____ yes X no

Federal Awards

Internal control over the major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for the major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance? _____ yes X no

Identification of major programs:

Name of Federal Programs/Grantors	CFDA Numbers
U.S. Department of Housing and Urban Development	
Continuum of Care Program	14.267
Housing Opportunities for Persons with AIDS	14.241
U.S. Department of Health and Human Services	
Substance Abuse and Mental Health Services Project of Regional and National Significance	93.243
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	_____ yes <u> X </u> no

Housing Works, Inc. and Affiliates
Summary Schedule of Findings and Questioned Costs - Continued
For the year ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

None Noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Noted