



AND AFFILIATES

**CONSOLIDATING FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
JUNE 30, 2020 AND 2019**

HOUSING FAMILIES INC. AND AFFILIATES

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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors of
Housing Families Inc. and Affiliates:

Report on the Consolidating Financial Statements

We have audited the accompanying consolidating financial statements of Housing Families Inc. (a Massachusetts corporation, not for profit) and Affiliates, which comprise the consolidating statements of financial position as of June 30, 2020 and 2019, and the related consolidating statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Consolidating Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating 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 consolidating financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidating 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 entity'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 consolidating 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 consolidating financial statements referred to above present fairly, in all material respects, the consolidating financial position of Housing Families Inc. and Affiliates as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The accompanying supplementary information shown on pages 30 and 31 is presented for purposes of additional analysis and is not a required part of the consolidating financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidating financial statements as a whole.

AAFCPA, Inc.

Westborough, Massachusetts
October 13, 2020

HOUSING FAMILIES INC. AND AFFILIATES

Consolidating Statement of Financial Position

June 30, 2020

(With Summarized Comparative Totals as of June 30, 2019)

Assets	2020			2019	
	Housing Families Inc.	Rental Properties (Exhibit A)	Eliminations	Total	Total
Current Assets:					
Cash	\$ 481,508	\$ 290,086	\$ -	\$ 771,594	\$ 509,441
Accounts and pledges receivable	654,050	15,978	-	670,028	494,972
Prepaid expenses and other	88,587	-	-	88,587	55,150
Current portion due from affiliates	388,302	4,787	(393,089)	-	-
Total current assets	<u>1,612,447</u>	<u>310,851</u>	<u>(393,089)</u>	<u>1,530,209</u>	<u>1,059,563</u>
Reserves and Deposits:					
Operating reserves	-	255,656	-	255,656	255,438
Reserves for replacements	-	206,466	-	206,466	177,913
Security deposits	-	32,115	-	32,115	31,110
Total reserves and deposits	<u>-</u>	<u>494,237</u>	<u>-</u>	<u>494,237</u>	<u>464,461</u>
Other Assets:					
Property and equipment, net	75,302	7,175,038	(58,259)	7,192,081	7,527,833
Due from affiliates, net of current portion	184,872	-	(184,872)	-	-
Notes receivable from affiliate, net	1,422,516	-	(1,422,516)	-	-
Total other assets	<u>1,682,690</u>	<u>7,175,038</u>	<u>(1,665,647)</u>	<u>7,192,081</u>	<u>7,527,833</u>
Total assets	<u>\$ 3,295,137</u>	<u>\$ 7,980,126</u>	<u>\$ (2,058,736)</u>	<u>\$ 9,216,527</u>	<u>\$ 9,051,857</u>
Liabilities and Net Assets					
Current Liabilities:					
Notes payable to a bank	\$ -	\$ -	\$ -	\$ -	\$ 250,000
Current portion of long-term debt and accrued interest	-	71,921	-	71,921	71,990
Current portion of capital lease obligations	20,352	-	-	20,352	23,223
Current portion of due to affiliates	4,787	388,302	(393,089)	-	-
Accounts payable	17,447	25,062	-	42,509	61,782
Accrued expenses	213,627	32,055	-	245,682	213,538
Total current liabilities	<u>256,213</u>	<u>517,340</u>	<u>(393,089)</u>	<u>380,464</u>	<u>620,533</u>
Long-Term Liabilities:					
Security deposits payable	-	32,115	-	32,115	31,110
Long-term debt, accrued interest and unamortized debt issuance costs, net of current portion	-	2,343,360	-	2,343,360	2,418,698
Capital lease obligations, net of current portion	46,464	-	-	46,464	68,855
Due to affiliates, net of current portion	-	184,872	(184,872)	-	-
Paycheck Protection Program loan	139,824	-	-	139,824	-
Contingent debt and deferred interest	-	6,833,251	(1,422,516)	5,410,735	5,347,753
Total long-term liabilities	<u>186,288</u>	<u>9,393,598</u>	<u>(1,607,388)</u>	<u>7,972,498</u>	<u>7,866,416</u>
Total liabilities	<u>442,501</u>	<u>9,910,938</u>	<u>(2,000,477)</u>	<u>8,352,962</u>	<u>8,486,949</u>
Net Assets					
Without donor restrictions:					
Operating	1,236,762	121,088	-	1,357,850	739,681
Property and equipment	8,486	(2,051,900)	1,549,129	(494,285)	818,778
Housing development	1,607,388	-	(1,607,388)	-	-
Total without donor restrictions	<u>2,852,636</u>	<u>(1,930,812)</u>	<u>(58,259)</u>	<u>863,565</u>	<u>1,558,459</u>
With donor restrictions	-	-	-	-	50,000
Total Housing Families Inc. net assets	<u>2,852,636</u>	<u>(1,930,812)</u>	<u>(58,259)</u>	<u>863,565</u>	<u>1,608,459</u>
Non-controlling interest	-	-	-	-	(1,043,551)
Total net assets	<u>2,852,636</u>	<u>(1,930,812)</u>	<u>(58,259)</u>	<u>863,565</u>	<u>564,908</u>
Total liabilities and net assets	<u>\$ 3,295,137</u>	<u>\$ 7,980,126</u>	<u>\$ (2,058,736)</u>	<u>\$ 9,216,527</u>	<u>\$ 9,051,857</u>

The accompanying notes are an integral part of these consolidating statements.

HOUSING FAMILIES INC. AND AFFILIATES

Consolidating Statement of Financial Position
June 30, 2019

Assets	Housing Families Inc.	Rental Properties (Exhibit A)	Eliminations	Total
Current Assets:				
Cash	\$ 409,721	\$ 99,720	\$ -	\$ 509,441
Accounts and pledges receivable	490,395	4,577	-	494,972
Prepaid expenses and other	49,843	5,307	-	55,150
Current portion due from affiliates	265,582	35,071	(300,653)	-
Total current assets	1,215,541	144,675	(300,653)	1,059,563
Reserves and Deposits:				
Operating reserves	-	255,438	-	255,438
Reserves for replacements	-	177,913	-	177,913
Security deposits	-	31,110	-	31,110
Total reserves and deposits	-	464,461	-	464,461
Other Assets:				
Property and equipment, net	105,534	7,490,304	(68,005)	7,527,833
Due from affiliates, net of current portion	184,872	-	(184,872)	-
Notes receivable from affiliate, net	1,422,516	-	(1,422,516)	-
Total other assets	1,712,922	7,490,304	(1,675,393)	7,527,833
Total assets	\$ 2,928,463	\$ 8,099,440	\$ (1,976,046)	\$ 9,051,857
Liabilities and Net Assets				
Current Liabilities:				
Notes payable to a bank	\$ 250,000	\$ -	\$ -	\$ 250,000
Current portion of long-term debt and accrued interest	-	71,990	-	71,990
Current portion of capital lease obligations	23,223	-	-	23,223
Current portion of due to affiliates	35,071	265,582	(300,653)	-
Accounts payable	52,765	9,017	-	61,782
Accrued expenses	205,538	8,000	-	213,538
Total current liabilities	566,597	354,589	(300,653)	620,533
Long-Term Liabilities:				
Security deposits payable	-	31,110	-	31,110
Long-term debt, accrued interest and unamortized debt issuance costs, net of current portion	-	2,418,698	-	2,418,698
Capital lease obligations, net of current portion	68,855	-	-	68,855
Due to affiliates, net of current portion	-	184,872	(184,872)	-
Contingent debt and deferred interest	-	6,770,269	(1,422,516)	5,347,753
Total long-term liabilities	68,855	9,404,949	(1,607,388)	7,866,416
Total liabilities	635,452	9,759,538	(1,908,041)	8,486,949
Net Assets:				
Without donor restrictions:				
Operating	622,167	117,514	-	739,681
Property and equipment	13,456	(1,777,612)	2,582,934	818,778
Housing development	1,607,388	-	(1,607,388)	-
Total without donor restrictions	2,243,011	(1,660,098)	975,546	1,558,459
With donor restrictions	50,000	-	-	50,000
Total Housing Families Inc. net assets	2,293,011	(1,660,098)	975,546	1,608,459
Non-controlling interest	-	-	(1,043,551)	(1,043,551)
Total net assets	2,293,011	(1,660,098)	(68,005)	564,908
Total liabilities and net assets	\$ 2,928,463	\$ 8,099,440	\$ (1,976,046)	\$ 9,051,857

HOUSING FAMILIES INC. AND AFFILIATES

Consolidating Statement of Activities

For the Year Ended June 30, 2020

(With Summarized Comparative Totals for the Year Ended June 30, 2019)

	2020			2019	
	Housing Families Inc.	Rental Properties (Exhibit B)	Eliminations	Total	Total
Changes in Net Assets Without Donor Restrictions:					
Operating support and revenues:					
Government contracts and grants	\$ 5,600,941	\$ -	\$ -	\$ 5,600,941	\$ 5,559,033
Rental income, net of vacancies	102,920	886,396	(126,120)	863,196	698,394
Contributions	498,854	-	-	498,854	306,548
Grants	426,162	-	-	426,162	353,773
Donated goods and services	80,997	-	-	80,997	266,580
Net assets released from program restrictions	50,000	-	-	50,000	53,850
Management fees and other	45,719	375	(35,960)	10,134	4,676
Net assets released from time restrictions	-	-	-	-	50,000
Total operating support and revenues	<u>6,805,593</u>	<u>886,771</u>	<u>(162,080)</u>	<u>7,530,284</u>	<u>7,292,854</u>
Operating expenses:					
Program services	5,166,167	-	(120,639)	5,045,528	5,490,324
General and administrative	651,807	-	(2,131)	649,676	726,350
Fundraising	347,762	-	(3,350)	344,412	386,289
Rental Properties	-	758,930	(35,960)	722,970	698,122
Total operating expenses before depreciation and amortization	<u>6,165,736</u>	<u>758,930</u>	<u>(162,080)</u>	<u>6,762,586</u>	<u>7,301,085</u>
Depreciation and amortization	<u>30,232</u>	<u>320,573</u>	<u>(9,746)</u>	<u>341,059</u>	<u>324,743</u>
Total operating expenses	<u>6,195,968</u>	<u>1,079,503</u>	<u>(171,826)</u>	<u>7,103,645</u>	<u>7,625,828</u>
Changes in net assets without donor restrictions from operations	<u>609,625</u>	<u>(192,732)</u>	<u>9,746</u>	<u>426,639</u>	<u>(332,974)</u>
Non-operating activities:					
Forgiveness of debt	-	5,195	-	5,195	5,195
Gain on termination of capital lease	-	-	-	-	20,827
Asset management transfer fee	-	(15,000)	-	(15,000)	-
Deferred interest expense	-	(68,177)	-	(68,177)	(64,772)
Changes in net assets without donor restrictions	<u>609,625</u>	<u>(270,714)</u>	<u>9,746</u>	<u>348,657</u>	<u>(371,724)</u>
Changes in Net Assets With Donor Restrictions:					
Contributions	-	-	-	-	50,000
Net assets released from restrictions	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(103,850)</u>
Changes in net assets with donor restrictions	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(53,850)</u>
Changes in net assets	<u>559,625</u>	<u>(270,714)</u>	<u>9,746</u>	<u>298,657</u>	<u>(425,574)</u>
Changes in Net Assets Attributable to Non-Controlling Interest					
	<u>-</u>	<u>46,031</u>	<u>-</u>	<u>46,031</u>	<u>217,273</u>
Changes in net assets attributable to Housing Families Inc.	<u>\$ 559,625</u>	<u>\$ (224,683)</u>	<u>\$ 9,746</u>	<u>\$ 344,688</u>	<u>\$ (208,301)</u>

HOUSING FAMILIES INC. AND AFFILIATES

 Consolidating Statement of Activities
 For the Year Ended June 30, 2019

	Housing Families Inc.	Rental Properties (Exhibit B)	Eliminations	Total
Changes in Net Assets Without Donor Restrictions:				
Operating support and revenues:				
Government contracts and grants	\$ 5,559,033	\$ -	\$ -	\$ 5,559,033
Rental income, net of vacancies	79,699	744,815	(126,120)	698,394
Contributions	306,548	-	-	306,548
Grants	353,773	-	-	353,773
Donated goods and services	266,580	-	-	266,580
Net assets released from program restrictions	53,850	-	-	53,850
Management fees and other	38,998	1,638	(35,960)	4,676
Net assets released from time restrictions	50,000	-	-	50,000
	<u>6,708,481</u>	<u>746,453</u>	<u>(162,080)</u>	<u>7,292,854</u>
Operating expenses:				
Program services	5,610,963	-	(120,639)	5,490,324
General and administrative	728,481	-	(2,131)	726,350
Fundraising	389,639	-	(3,350)	386,289
Rental Properties	-	734,082	(35,960)	698,122
	<u>6,729,083</u>	<u>734,082</u>	<u>(162,080)</u>	<u>7,301,085</u>
Depreciation and amortization	<u>35,363</u>	<u>321,627</u>	<u>(32,247)</u>	<u>324,743</u>
	<u>6,764,446</u>	<u>1,055,709</u>	<u>(194,327)</u>	<u>7,625,828</u>
Changes in net assets without donor restrictions from operations	(55,965)	(309,256)	32,247	(332,974)
Non-operating activities:				
Forgiveness of debt	-	5,195	-	5,195
Gain on termination of capital lease	20,827	-	-	20,827
Deferred interest expense	-	(64,772)	-	(64,772)
Changes in net assets without donor restrictions	<u>(35,138)</u>	<u>(368,833)</u>	<u>32,247</u>	<u>(371,724)</u>
Changes in Net Assets With Donor Restrictions:				
Contributions	50,000	-	-	50,000
Net assets released from program restrictions	(103,850)	-	-	(103,850)
Changes in net assets with donor restrictions	<u>(53,850)</u>	<u>-</u>	<u>-</u>	<u>(53,850)</u>
Changes in net assets	(88,988)	(368,833)	32,247	(425,574)
Changes in Net Assets Attributable to Non-Controlling Interest				
	<u>-</u>	<u>217,273</u>	<u>-</u>	<u>217,273</u>
Changes in net assets attributable to Housing Families Inc.	<u>\$ (88,988)</u>	<u>\$ (151,560)</u>	<u>\$ 32,247</u>	<u>\$ (208,301)</u>

The accompanying notes are an integral part of these consolidating statements.

HOUSING FAMILIES INC. AND AFFILIATES

Consolidating Statements of Changes in Net Assets
For the Years Ended June 30, 2020 and 2019

	<u>Housing Families Inc.</u>	<u>Rental Properties</u>	<u>Eliminations</u>	<u>Total</u>	<u>Non- Controlling Interest</u>	<u>Total</u>
Balance, June 30, 2018	\$ 2,381,999	\$ (1,291,265)	\$ 726,026	\$ 1,816,760	\$ (826,278)	\$ 990,482
Changes in net assets	<u>(88,988)</u>	<u>(368,833)</u>	<u>249,520</u>	<u>(208,301)</u>	<u>(217,273)</u>	<u>(425,574)</u>
Balance, June 30, 2019	2,293,011	(1,660,098)	975,546	1,608,459	(1,043,551)	564,908
Changes in net assets	559,625	(270,714)	55,777	344,688	(46,031)	298,657
Transfer	<u>-</u>	<u>-</u>	<u>(1,089,582)</u>	<u>(1,089,582)</u>	<u>1,089,582</u>	<u>-</u>
Balance, June 30, 2020	<u><u>\$ 2,852,636</u></u>	<u><u>\$ (1,930,812)</u></u>	<u><u>\$ (58,259)</u></u>	<u><u>\$ 863,565</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 863,565</u></u>

The accompanying notes are an integral part of these consolidating statements.

HOUSING FAMILIES INC. AND AFFILIATES

 Consolidating Statement of Cash Flows
 For the Year Ended June 30, 2020

	<u>Housing Families Inc.</u>	<u>Rental Properties</u>	<u>Eliminations</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Changes in net assets	\$ 559,625	\$ (270,714)	\$ 9,746	\$ 298,657
Adjustments to reconcile changes in net assets to net cash provided by operating activities:				
Depreciation and amortization	30,232	320,573	(9,746)	341,059
Interest - amortization of debt issuance costs	-	4,936	-	4,936
Forgiveness of debt	-	(5,195)	-	(5,195)
Deferred interest	-	68,177	-	68,177
Changes in operating assets and liabilities:				
Accounts and pledges receivable	(163,655)	(11,401)	-	(175,056)
Prepaid expenses and other	(38,744)	-	-	(38,744)
Due to/from affiliates	(153,004)	153,004	-	-
Accounts payable	(35,318)	16,045	-	(19,273)
Accrued expenses	8,089	24,055	-	32,144
Security deposits payable	-	1,005	-	1,005
	<u>207,225</u>	<u>300,485</u>	<u>-</u>	<u>507,710</u>
Net cash provided by operating activities				
Cash Flows from Financing Activities:				
Payments on note payable to bank	(250,000)	-	-	(250,000)
Proceeds from Paycheck Protection Program loan	139,824	-	-	139,824
Principal payments on long-term debt	-	(80,343)	-	(80,343)
Principal payments on capital lease obligations	(25,262)	-	-	(25,262)
	<u>(135,438)</u>	<u>(80,343)</u>	<u>-</u>	<u>(215,781)</u>
Net cash used in financing activities				
Net Change in Cash and Restricted Cash:	71,787	220,142	-	291,929
Cash and Restricted Cash:				
Beginning of year	<u>409,721</u>	<u>564,181</u>	<u>-</u>	<u>973,902</u>
End of year	<u>\$ 481,508</u>	<u>\$ 784,323</u>	<u>\$ -</u>	<u>\$ 1,265,831</u>
Reconciliation of Cash and Restricted Cash Reported Within the Consolidating Statements of Financial Position:				
Cash	\$ 481,508	\$ 290,086	\$ -	\$ 771,594
Operating reserves	-	255,656	-	255,656
Reserves for replacements	-	206,466	-	206,466
Security deposits	-	32,115	-	32,115
	<u>\$ 481,508</u>	<u>\$ 784,323</u>	<u>\$ -</u>	<u>\$ 1,265,831</u>
Total cash and restricted cash				
Supplemental Disclosure of Cash Flow Information:				
Cash paid for interest	<u>\$ 5,452</u>	<u>\$ 112,170</u>	<u>\$ -</u>	<u>\$ 117,622</u>

HOUSING FAMILIES INC. AND AFFILIATES

 Consolidating Statement of Cash Flows
 For the Year Ended June 30, 2019

	<u>Housing Families Inc.</u>	<u>Rental Properties</u>	<u>Eliminations</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Changes in net assets	\$ (88,988)	\$ (368,833)	\$ 32,247	\$ (425,574)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:				
Depreciation and amortization	35,363	321,627	(32,247)	324,743
Interest - amortization of debt issuance costs	-	4,935	-	4,935
Forgiveness of debt	-	(5,195)	-	(5,195)
Gain on termination of capital lease	(20,827)	-	-	(20,827)
Deferred interest	-	64,772	-	64,772
Bad debt	-	1,291	-	1,291
Changes in operating assets and liabilities:				
Accounts and pledges receivable	161,666	5,474	-	167,140
Prepaid expenses and other	8,040	6,870	-	14,910
Due to/from affiliates	(60,765)	60,765	-	-
Accounts payable	9,914	465	-	10,379
Accrued expenses	(18,503)	(6,657)	-	(25,160)
Security deposits payable	-	(235)	-	(235)
Net cash provided by operating activities	<u>25,900</u>	<u>85,279</u>	<u>-</u>	<u>111,179</u>
Cash Flows from Investing Activities:				
Acquisition of property and equipment	<u>-</u>	<u>(45,515)</u>	<u>-</u>	<u>(45,515)</u>
Cash Flows from Financing Activities:				
Principal payments on long-term debt	-	(63,412)	-	(63,412)
Principal payments on capital lease obligations	<u>(18,297)</u>	<u>-</u>	<u>-</u>	<u>(18,297)</u>
Net cash used in financing activities	<u>(18,297)</u>	<u>(63,412)</u>	<u>-</u>	<u>(81,709)</u>
Net Change in Cash and Restricted Cash:	7,603	(23,648)	-	(16,045)
Cash and Restricted Cash:				
Beginning of year	<u>402,118</u>	<u>587,829</u>	<u>-</u>	<u>989,947</u>
End of year	<u>\$ 409,721</u>	<u>\$ 564,181</u>	<u>\$ -</u>	<u>\$ 973,902</u>
Reconciliation of Cash and Restricted Cash Reported Within the Consolidating Statements of Financial Position:				
Cash	\$ 409,721	\$ 99,720	\$ -	\$ 509,441
Operating reserves	-	255,438	-	255,438
Reserves for replacements	-	177,913	-	177,913
Security deposits	<u>-</u>	<u>31,110</u>	<u>-</u>	<u>31,110</u>
Total cash and restricted cash	<u>\$ 409,721</u>	<u>\$ 564,181</u>	<u>\$ -</u>	<u>\$ 973,902</u>
Supplemental Disclosure of Cash Flow Information:				
Cash paid for interest	<u>\$ 19,751</u>	<u>\$ 100,127</u>	<u>\$ -</u>	<u>\$ 109,214</u>
Equipment purchased through capital lease obligation	<u>\$ 87,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,885</u>

HOUSING FAMILIES INC. AND AFFILIATES

Consolidating Statement of Functional Expenses
 For the Year Ended June 30, 2020
 (With Summarized Comparative Totals for the Year Ended June 30, 2019)

	2020							2019	
	Housing Families Inc.				Total	Rental Properties (Exhibit B)	Eliminations	Total	Total
	Program Services	General and Administrative	Fundraising	Total Support Services					
Personnel and Related Costs:									
Salaries	\$ 1,308,179	\$ 149,928	\$ 251,578	\$ 401,506	\$ 1,709,685	\$ 80,718	\$ -	\$ 1,790,403	\$ 2,242,592
Payroll taxes and benefits	245,125	35,798	45,469	81,267	326,392	-	-	326,392	454,132
Contract labor	-	264,642	-	264,642	264,642	-	-	264,642	9,050
Temporary help	19,826	-	-	-	19,826	-	-	19,826	4,962
Total personnel and related costs	<u>1,573,130</u>	<u>450,368</u>	<u>297,047</u>	<u>747,415</u>	<u>2,320,545</u>	<u>80,718</u>	<u>-</u>	<u>2,401,263</u>	<u>2,710,736</u>
Occupancy:									
Rent	2,835,410	23,817	22,955	46,772	2,882,182	-	(126,120)	2,756,062	2,627,904
Repairs and maintenance	185,278	14,186	130	14,316	199,594	170,370	-	369,964	389,561
Utilities	135,536	-	-	-	135,536	156,014	-	291,550	276,727
Taxes and insurance	36,779	492	492	984	37,763	100,859	-	138,622	137,232
Interest	-	-	-	-	-	112,170	-	112,170	109,320
Total occupancy	<u>3,193,003</u>	<u>38,495</u>	<u>23,577</u>	<u>62,072</u>	<u>3,255,075</u>	<u>539,413</u>	<u>(126,120)</u>	<u>3,668,368</u>	<u>3,540,744</u>
Other:									
Office supplies and equipment	81,965	41,733	10,455	52,188	134,153	4,395	-	138,548	145,191
Professional fees	10,850	71,194	3,534	74,728	85,578	18,472	-	104,050	165,423
Donated goods and services	80,997	-	-	-	80,997	-	-	80,997	266,580
Resident services	-	-	-	-	-	73,915	-	73,915	100,589
Pass-through client services	59,890	-	-	-	59,890	-	-	59,890	65,980
Telephone	42,183	11,930	3,178	15,108	57,291	-	-	57,291	49,623
Non-capital equipment	48,020	1,338	-	1,338	49,358	-	-	49,358	81,359
Miscellaneous	17,751	8,108	8,189	16,297	34,048	1,121	-	35,169	40,293
Insurance	12,717	15,007	554	15,561	28,278	-	-	28,278	28,141
Vehicle costs	24,157	-	-	-	24,157	-	-	24,157	20,408
Training, travel and meals	18,592	5,267	265	5,532	24,124	-	-	24,124	40,527
Interest	715	4,737	-	4,737	5,452	-	-	5,452	19,751
Interest - amortization of debt issuance costs	-	-	-	-	-	4,936	-	4,936	4,935
Advertising	181	3,630	323	3,953	4,134	-	-	4,134	1,398
Grant expense	2,016	-	640	640	2,656	-	-	2,656	19,407
Management fees	-	-	-	-	-	35,960	(35,960)	-	-
Total other	<u>400,034</u>	<u>162,944</u>	<u>27,138</u>	<u>190,082</u>	<u>590,116</u>	<u>138,799</u>	<u>(35,960)</u>	<u>692,955</u>	<u>1,049,605</u>
Total expenses before depreciation and amortization	<u>5,166,167</u>	<u>651,807</u>	<u>347,762</u>	<u>999,569</u>	<u>6,165,736</u>	<u>758,930</u>	<u>(162,080)</u>	<u>6,762,586</u>	<u>7,301,085</u>
Depreciation and Amortization	<u>25,210</u>	<u>5,022</u>	<u>-</u>	<u>5,022</u>	<u>30,232</u>	<u>320,573</u>	<u>(9,746)</u>	<u>341,059</u>	<u>324,743</u>
Total expenses	<u>\$ 5,191,377</u>	<u>\$ 656,829</u>	<u>\$ 347,762</u>	<u>\$1,004,591</u>	<u>\$ 6,195,968</u>	<u>\$ 1,079,503</u>	<u>\$ (171,826)</u>	<u>\$ 7,103,645</u>	<u>\$ 7,625,828</u>

The accompanying notes are an integral part of these consolidating statements.

HOUSING FAMILIES INC. AND AFFILIATES

 Consolidating Statement of Functional Expenses
 For the Year Ended June 30, 2019

	Housing Families Inc.				Rental Properties (Exhibit B)	Eliminations	Total
	Support Services			Total			
	Program Services	General and Adminis- trative	Fundraising	Total Support Services			
Personnel and Related Costs:							
Salaries	\$ 1,499,513	\$ 448,162	\$ 233,892	\$ 682,054	\$ 2,181,567	\$ 61,025	\$ 2,242,592
Payroll taxes and benefits	337,357	73,901	42,874	116,775	454,132	-	454,132
Contract labor	-	9,050	-	9,050	9,050	-	9,050
Temporary help	4,962	-	-	-	4,962	-	4,962
Total personnel and related costs	1,841,832	531,113	276,766	807,879	2,649,711	61,025	2,710,736
Occupancy:							
Rent	2,706,497	24,017	23,510	47,527	2,754,024	-	(126,120)
Repairs and maintenance	233,010	12,829	395	13,224	246,234	143,327	-
Utilities	133,110	-	-	-	133,110	143,617	-
Taxes and insurance	35,896	492	492	984	36,880	100,352	-
Interest	-	-	-	-	-	109,320	-
Total occupancy	3,108,513	37,338	24,397	61,735	3,170,248	496,616	(126,120)
Other:							
Office supplies and equipment	80,826	41,316	18,367	59,683	140,509	4,682	-
Professional fees	43,301	61,505	32,690	94,195	137,496	27,927	-
Donated goods and services	258,123	-	8,457	8,457	266,580	-	-
Resident services	-	-	-	-	-	100,589	-
Pass-through client services	65,980	-	-	-	65,980	-	-
Telephone	37,603	9,144	2,876	12,020	49,623	-	-
Non-capital equipment	81,359	-	-	-	81,359	-	-
Miscellaneous	14,770	9,008	14,167	23,175	37,945	2,348	-
Insurance	12,580	15,007	554	15,561	28,141	-	-
Vehicle costs	20,408	-	-	-	20,408	-	-
Training, travel and meals	24,669	5,221	10,637	15,858	40,527	-	-
Interest	922	18,829	-	18,829	19,751	-	-
Interest - amortization of debt issuance costs	-	-	-	-	-	4,935	-
Advertising	670	-	728	728	1,398	-	-
Grant expense	19,407	-	-	-	19,407	-	-
Management fees	-	-	-	-	-	35,960	(35,960)
Total other	660,618	160,030	88,476	248,506	909,124	176,441	(35,960)
Total expenses before depreciation and amortization	5,610,963	728,481	389,639	1,118,120	6,729,083	734,082	(162,080)
Depreciation and Amortization	30,214	5,149	-	5,149	35,363	321,627	(32,247)
Total expenses	\$ 5,641,177	\$ 733,630	\$ 389,639	\$ 1,123,269	\$ 6,764,446	\$ 1,055,709	\$ (194,327)

The accompanying notes are an integral part of these consolidating statements.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

1. OPERATIONS AND NONPROFIT STATUS

Housing Families Inc. (HFI) was founded in 1986 by community members concerned about the growing crisis of homelessness among families in the cities of Everett, Malden and Medford, Massachusetts. HFI has grown into one of the largest providers of family housing in Massachusetts. Over 5,000 families have been helped since HFI first opened its doors.

HFI works to end family homelessness in the communities it serves by providing safe, temporary shelter, creating affordable housing, and offering individualized supportive services to family members of all ages. HFI respects each family in its journey toward greater security and stability.

HFI develops new programs and projects in response to the emerging needs of homeless families. The Board of Directors (the Board), staff and volunteers are dedicated to raising awareness of homelessness and poverty, and helping families to move into, retain and sustain permanent housing.

HFI is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). HFI is also exempt from state income taxes. Donors may deduct contributions made to HFI within IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

HFI and Affiliates prepare their consolidating financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Consolidation

The consolidating financial statements include the accounts of HFI and its Affiliates: Cross Street Realty, Inc., HFI Properties, Inc., Malden Medford Homes LLC, and Cross Street Housing Limited Partnership, a controlled limited partnership (CSLP) (collectively, HFI and Affiliates) (see Note 3). All significant intercompany transactions have been eliminated.

Accounting Principle Adoptions

Revenue from Contracts with Customers

On July 1, 2019, HFI and Affiliates adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective method applied to those contracts which were not completed as of July 1, 2019 (the practical expedient elected). Results for reporting periods beginning after July 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with HFI and Affiliates' historic accounting under Topic 605. There were no material changes in the timing of recognition of revenue and, therefore, there was no adjustment to the opening balance of net assets as a result of adopting Topic 606. The adoption of this standard did not have a significant impact on HFI and Affiliates' consolidating financial statements as HFI and Affiliates' primary source of revenue is from grants and contributions, which includes HFI and Affiliates' government contracts and grants, which are not subject to this accounting standard.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Principle Adoptions (Continued)

Contributions Received and Contributions Made

During fiscal year 2020, HFI and Affiliates also adopted FASB's ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. HFI and Affiliates adopted ASU 2018-08 using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the fiscal year 2019 consolidating financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of July 1, 2019. There were no material changes to contribution revenue during fiscal year 2020. Under this ASU, all contracts, contributions and grants included in the consolidating statements of activities have been classified and recorded in accordance with Topic 958.

In fiscal year 2020, HFI and Affiliates also adopted FASB's ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the consolidating statements of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the consolidating statements of cash flows. This ASU has been applied retrospectively to all periods presented. The adoption of ASU 2016-18 resulted in the following changes to HFI and Affiliates' cash flow classification for the year ended June 30, 2019.

<u>Consolidating Statement of Cash Flows</u>	<u>2019 As Previously Reported</u>	<u>Effect of Adoption</u>	<u>2019 As Adjusted</u>
Operating activities	\$ 111,414	\$ (235)	\$ 111,179
Investing activities	(19,062)	(26,453)	(45,515)
Financing activities	(81,709)	-	(81,709)
Net change in cash and restricted cash	<u>\$ 10,643</u>	<u>\$ (26,688)</u>	<u>\$ (16,045)</u>

Cash and Restricted Cash

For the purpose of the consolidating statements of cash flows, management considers all cash and highly liquid investments without donor restrictions with an initial maturity of three months or less to be cash. Cash also includes reserves and deposits (see Note 10).

Estimates

The preparation of consolidating financial statements in accordance with U.S. 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 consolidating financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

In accordance with Topic 958, HFI and Affiliates must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists (see Note 15). Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that HFI and Affiliates should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

A portion of HFI and Affiliates' revenue is derived from cost-reimbursable and unit-rate government contracts and grants (contracts revenue), which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when HFI and Affiliates have incurred expenditures in compliance with specific contract or grant provisions. These contracts and grants are considered nonreciprocal transactions because HFI and Affiliates' community and customers receive the benefit as a result of the assets transferred.

Grants and contributions without donor restrictions are recorded as revenue when unconditionally received or pledged. Revenues from donor restricted grants and contributions are recorded as revenue and net assets with donor restrictions when HFI and Affiliates receive a commitment. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidating financial statements as net assets released from restrictions as costs are incurred or time or program restrictions have lapsed. Donor restricted grants and pledges whose restrictions are met in the year they are received or pledged are recorded as net assets without donor restrictions.

Client rent is recorded monthly as earned. All other revenues are recorded as earned.

Fair Value Measurements

HFI and Affiliates follow the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that HFI and Affiliates would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

HFI and Affiliates use a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of HFI and Affiliates. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Description of Net Assets

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by HFI and Affiliates. HFI and Affiliates have grouped their net assets without donor restrictions into the following categories:

Operating - consists of amounts relating to program and other operating activities and are currently available for operations.

Property and equipment - reflect the net book value of HFI and Affiliates' property and equipment and reserves for replacements, net of related debt.

Housing development - represents funds for HFI's development related activities (see Note 3).

Net assets with donor restrictions are those unexpended financial resources that are restricted by donors as to purpose or timing of expenditure. Net assets with donor restrictions are restricted as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose: Youth & Family Programs	\$ -	\$ 50,000

Non-controlling interest represented the non-controlling interest of an outside investor participating in the ownership of CSLP (see Note 3). During fiscal year 2020, HFI purchased the outside investor's interest for an asset management transfer fee of \$15,000.

Pledges Receivable

Pledges receivable are recorded at their net present value when unconditionally committed.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible, if any. There was no allowance for doubtful accounts as of June 30, 2020 and 2019.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Equipment and Depreciation

Property and equipment are capitalized at cost when purchased or at fair value at the date of donation. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as incurred. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 40 years
Furniture and equipment	3 - 10 years
Vehicles	5 years

Capitalized Costs and Amortization

Capitalized costs consist of low-income housing tax credit application fees that have been capitalized and amortized on the straight-line basis. Capitalized costs have a cost of \$35,000 as of June 30, 2020 and 2019. Accumulated amortization of capitalized costs was \$35,000 and \$29,693 as of June 30, 2020 and 2019, respectively. Capitalized costs, net of accumulated amortization are included in prepaid expenses and other in the accompanying consolidating statements of financial position. Amortization during fiscal years 2020 and 2019 was \$5,307 and \$2,332, respectively, and is included in depreciation and amortization in the accompanying consolidating financial statements.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method.

Security Deposits

Security deposits consist of tenant deposits collected upon move-in. Interest is paid annually to the tenants based on the current interest rate of the bank where the deposits are held.

Donated Goods and Services

HFI receives donated goods and services from various organizations for use in its programs. These goods and services are reflected in the accompanying consolidating financial statements at fair value, determined by management, as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Contracted services	\$ 75,335	\$ 162,055
Program supplies	<u>5,662</u>	<u>104,525</u>
	<u>\$ 80,997</u>	<u>\$ 266,580</u>

HFI receives services of volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying consolidating financial statements, since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the criteria for recognition of U.S. GAAP.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

The consolidating financial statements present expenses by functional classification in accordance with the overall mission of HFI and Affiliates. Each functional classification displays all expenses related to the underlying operations by natural classification. Expenses related directly to a program or function are distributed to that program or function, while other expenses are allocated based upon management's estimate of the percentage attributable to each program or function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and payroll taxes and fringe benefits, which are allocated on the basis of time and effort, certain rent expense, which is allocated based on square footage, repairs and maintenance, which are allocated based on the number of units, and depreciation and amortization, which are allocated based on usage studies conducted annually.

Consolidating Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating support and revenues and operating expenses in the accompanying consolidating statements of activities. Peripheral or incidental transactions are recorded as non-operating activities.

Advertising

Advertising costs are expensed as incurred.

Contingent Debt

HFI and Affiliates have contingent loans from various organizations to assist in the development of housing and other projects (see Note 7). These loans generally are not required to be repaid unless the project fails to maintain its status as low-income housing or HFI and Affiliates fail to comply with other conditions. It is the intention of the Board of Directors and management to maintain these properties as low-income housing and to meet other conditions. Therefore, these loans have been classified as contingent debt in the accompanying consolidating statements of financial position.

Income Taxes

HFI and Affiliates account for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidating financial statements regarding a tax position taken or expected to be taken in a tax return. HFI and Affiliates have determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidating financial statements at June 30, 2020 and 2019. HFI and Affiliates' information and tax returns are subject to examination by Federal and state jurisdictions.

As described on page 11, HFI is exempt from income taxes under Section 501(c)(3) of the IRC. Cross Street Realty, Inc. and HFI Properties, Inc. are for-profit corporations. At June 30, 2020 and 2019, Cross Street Realty, Inc. and HFI Properties, Inc. had, for Federal income tax purposes, net operating loss carryforwards of approximately \$777,000 and \$780,000, respectively, available to offset future taxable income. Cross Street Realty, Inc. and HFI Properties, Inc. had, for state income tax purposes, net operating loss carryforwards of approximately \$768,000 and \$771,000 available to offset future taxable income as of June 30, 2020 and 2019, respectively.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Cross Street Realty, Inc. and HFI Properties, Inc. account for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard does not have a material effect on the consolidating financial statements as of June 30, 2020 and 2019, since the tax benefit of the net operating loss carryforwards have been fully reserved.

Cross Street Housing Limited Partnership (CSLP) accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. No income tax provision has been included in the accompanying consolidating financial statements as the income, loss and credits of CSLP are reported by the partners on their respective income tax returns.

Low-Income Housing Tax Credit

CSLP has been awarded low-income housing tax credits (LIHTC) under IRC Section 42. As a condition of receiving these LIHTC, CSLP must operate its property in a manner prescribed by this Code Section and by the Tax Regulatory Agreement for a minimum of fifteen years.

Subsequent Events

Subsequent events have been evaluated through October 13, 2020, which is the date the consolidating financial statements were available to be issued. There were no events that met the criteria for disclosure in the consolidating financial statements.

3. RELATED PARTY TRANSACTIONS

HFI is presented on the consolidated basis and includes the following entity:

Cross Street Realty, Inc. (the General Partner) is a Massachusetts corporation, 79% owned by HFI. The General Partner holds a .01% ownership interest in CSLP.

Consolidating Entities

HFI and Affiliates' consolidating financial statements include the following entities:

HFI Properties, Inc. (HFI Properties) is a Massachusetts corporation formed in August 2010. HFI Properties' purpose is to hold title to real property for the benefit of HFI. HFI owns 100% of HFI Properties' common stock.

Malden Medford Homes LLC (MM Homes) is a single-member limited liability company formed in January 2011, with HFI Properties, Inc. as its sole member. MM Homes was formed to acquire, develop and operate certain properties in Malden and Medford, Massachusetts. MM Homes has elected to be treated as a disregarded entity for tax purposes.

Cross Street Housing Limited Partnership is a Massachusetts limited partnership. CSLP owns and operates a building located in Malden, Massachusetts consisting of nineteen units of low-income housing, one rent-free unit, and one commercial space, which is rented to HFI (the Project). Massachusetts Housing Equity Fund 2002 LLC (MHEF) held a 99.99% interest in the capital, income, losses, and cash flow of CSLP through December 31, 2019, at which point MHEF transferred its ownership interest in CSLP to HFI. Non-controlling interest represented the interests of MHEF before the transfer of ownership interest.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

3. RELATED PARTY TRANSACTIONS (Continued)

Consolidating Entities (Continued)

Transactions between HFI and the entities described on page 17 are as follows:

The Project was developed by HFI. HFI has an agreement with CSLP to receive a development fee for various services rendered in connection with the development of the Project. These fees are payable from development financing, cash flow or from the proceeds of sale or refinancing or at the latest December 31, 2021. The Project did not make any development fee payments to HFI during fiscal years 2020 and 2019. The unpaid development and overhead fee reimbursements were \$184,872 as of June 30, 2020 and 2019, and are included in due to/from affiliate in the accompanying consolidating statements of financial position (see below). This note is secured by a third mortgage on the property.

HFI provides management services and staff to CSLP, MM Homes and HFI Properties. Management fees billed for the years ended June 30, 2020 and 2019, consisted of the following:

CSLP	\$ 19,463
MM Homes	10,776
HFI Properties	<u>5,721</u>
	<u>\$ 35,960</u>

Management fees are included in management fees and other in the accompanying consolidating statements of activities, and management fee expense in the accompanying consolidating statements of functional expenses.

CSLP has granted a continuing right of first refusal to HFI to purchase the property in the event that CSLP proposes to sell, transfer, assign, or lease the property. HFI would be required to continue to maintain the property as low-income housing under this agreement.

Amounts due to HFI from its affiliates for management fees, general advances and the unpaid development and overhead fee reimbursements (see above) due from CSLP, are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Due from CSLP	\$ 406,919	\$ 319,666
Due from MM Homes	<u>166,255</u>	<u>130,788</u>
	<u>\$ 573,174</u>	<u>\$ 450,454</u>

HFI owed \$4,787 and \$35,071 to HFI Properties at June 30, 2020 and 2019, respectively.

At June 30, 2020 and 2019, there was \$53,793 and \$58,793, respectively, due from HFI Properties to MM Homes for subsidy rental receipts received from HFI Properties on behalf of MM Homes. At June 30, 2020 and 2019, there was \$30,739 due from CSLP to MM Homes for an operating advance.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

3. RELATED PARTY TRANSACTIONS (Continued)

Consolidating Entities (Continued)

HFI has a 5.375% note receivable from CSLP of which \$805,583 has been advanced at June 30, 2020 and 2019. Principal and interest are due annually if certain cash flow, as defined in the agreement, is achieved. There were no payments due for fiscal years 2020 and 2019. Interest compounds annually. All unpaid principal and deferred interest are due in full on July 23, 2033. For fiscal years 2020 and 2019, deferred interest expense on this loan was \$94,286 and \$89,477, respectively. This note is secured by a third mortgage on CSLP's property. During fiscal years 2020 and 2019, HFI forgave the deferred interest portion that was earned during those years and, therefore, the deferred interest expense and the forgiveness of such interest have been netted in the accompanying consolidating statements of activities.

CSLP has a lease agreement with HFI to rent its commercial space to HFI. Lease payments were \$30,000 per year through December 2019. Subsequent to the lease end date, CSLP continued to occupy the space as a tenant-at-will. HFI is also responsible for its proportionate share of utilities and real estate taxes. Rent was \$30,000 for fiscal years 2020 and 2019.

As part of the development of the Project, the General Partner has agreed to make contributions to fund operating deficits to CSLP to the extent that operating deficits exceed the funds available in the operating reserve accounts (see Note 10).

The sponsor loan, development fee, development overhead, and interest receivable on sponsor loan amounts are expected to be repaid when the Project is sold or refinanced.

MM Homes has a lease agreement with HFI to rent program space to HFI. This agreement renews annually, subject to HFI receiving future state contract funding to operate the program. Rent expense under this agreement was \$96,120 for fiscal years 2020 and 2019.

Notes receivable consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Interest receivable on sponsor loan	\$ 1,042,139	\$ 947,853
Sponsor loan receivable	<u>805,583</u>	<u>805,583</u>
Total notes receivable	1,847,722	1,753,436
Less - reserve on uncollectable amounts	<u>425,206</u>	<u>330,920</u>
Notes receivable, net	<u>\$ 1,422,516</u>	<u>\$ 1,422,516</u>

HFI has a \$200,000 line of credit agreement (see Note 6) and a Paycheck Protection Program Loan (see Note 8) with a bank where one of HFI's Board of Directors is an employee of the bank. During fiscal year 2020, HFI received a \$75,000 grant from a foundation where a Trustee is a board member of HFI. The board members refrain from discussions on matters relating to these transactions.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

<u>2020</u>	<u>HFI</u>	<u>Rental Properties</u>	<u>Eliminations</u>	<u>Total</u>
Land	\$ -	\$ 1,285,700	\$ -	\$ 1,285,700
Buildings and improvements	-	9,702,169	(525,764)	9,176,405
Furniture and equipment	267,379	112,086	-	379,465
Vehicles	95,520	-	-	95,520
Total cost	362,899	11,099,955	(525,764)	10,937,090
Less - accumulated depreciation	<u>287,597</u>	<u>3,924,917</u>	<u>(467,505)</u>	<u>3,745,009</u>
	<u>\$ 75,302</u>	<u>\$ 7,175,038</u>	<u>\$ (58,259)</u>	<u>\$ 7,192,081</u>
<u>2019</u>	<u>HFI</u>	<u>Rental Properties</u>	<u>Eliminations</u>	<u>Total</u>
Land	\$ -	\$ 1,285,700	\$ -	\$ 1,285,700
Buildings and improvements	-	9,702,169	(525,764)	9,176,405
Furniture and equipment	267,379	112,086	-	379,465
Vehicles	95,520	-	-	95,520
Total cost	362,899	11,099,955	(525,764)	10,937,090
Less - accumulated depreciation	<u>257,365</u>	<u>3,609,651</u>	<u>(457,759)</u>	<u>3,409,257</u>
	<u>\$ 105,534</u>	<u>\$ 7,490,304</u>	<u>\$ (68,005)</u>	<u>\$ 7,527,833</u>

Depreciation expense during fiscal years 2020 and 2019 was \$335,752 and \$322,411, respectively. Substantially all property and equipment are pledged as collateral on long-term and contingent debt (see Notes 5 and 7).

HFI accounts for the carrying value of its property and equipment in accordance with ASC Topic, *Property, Plant and Equipment*. As of June 30, 2020 and 2019, HFI has not recognized any reduction in the carrying value of its property and equipment under these standards.

HFI currently has equipment and vehicles under various capital lease agreements with a total cost of \$87,885 as of June 30, 2020 and 2019 (see Note 9). Depreciation expense for fiscal years 2020 and 2019 for assets under capital lease was \$17,577 and \$5,859, respectively. As of June 30, 2020 and 2019, accumulated depreciation was \$23,436 and \$5,859, respectively, on these assets.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

5. LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
HFI Properties		
Non-interest bearing note payable to Malden Redevelopment Authority (MRA). Payments are due annually based on 25% of net cash flow of the property, as defined in the agreement. Based on this calculation, there is a payment of \$1,132 due at June 30, 2020. The required payment of \$5,001 from prior years' net cash flow calculations was made during fiscal year 2020. The note matures in November 2042, and is secured by a first mortgage on property located in Revere, Massachusetts.	\$ 534,980	\$ 539,981
Note payable to a bank with an interest rate equal to the Five-Year Federal Home Loan Classic Advance Rate, plus 2.75%, but never less than 5.75%. This note matures in November 2021 and requires a balloon payment of \$295,704 at maturity. This note is secured by a shared second mortgage on property located in Revere, Massachusetts.	<u>309,741</u>	<u>322,785</u>
Total HFI Properties	<u>844,721</u>	<u>862,766</u>
MM Homes		
2% note payable to MRA, due in quarterly principal and interest payments of \$1,158. The note matures in April 2027 and is secured by a shared first mortgage on property located in Malden, Massachusetts.	29,439	34,415
2% note payable to MRA, due in quarterly principal and interest payments of \$731. The note matures in November 2022 and is secured by a shared first mortgage on property located in Malden, Massachusetts.	<u>7,866</u>	<u>11,271</u>
Total MM Homes	<u>37,305</u>	<u>45,686</u>
CSLP		
7% note payable to a bank, due in monthly principal and interest payments of \$8,786 using a thirty-year amortization schedule. There is a balloon payment of approximately \$760,000 due on June 15, 2025. This note is secured by a first mortgage on the property.	974,154	1,012,864

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

5. LONG-TERM DEBT (Continued)

	<u>2020</u>	<u>2019</u>
CSLP (Continued)		
4.17% note payable to MRA. CSLP makes monthly principal and interest payments of \$2,686, with interest at 3%. The difference between the interest rate of 4.17% and the monthly payments using the 3% rate is deferred and is due at maturity (see Note 7). This note matures in July 2046 and is secured by a shared second mortgage on the property.	580,507	595,714
Total CSLP	<u>1,554,661</u>	<u>1,608,578</u>
Total long-term debt	2,436,687	2,517,030
Plus - accrued interest to a bank	4,006	4,006
Less - current portion	71,921	71,990
Less - unamortized debt issuance costs	<u>25,412</u>	<u>30,348</u>
Total long-term debt, net of current portion	<u>\$ 2,343,360</u>	<u>\$ 2,418,698</u>

Debt issuance costs related to the various notes payable totaling \$85,993 are shown net of accumulated imputed interest of \$60,581 and \$55,645 as of June 30, 2020 and 2019, respectively. Net debt issuance costs are reported on the consolidating statements of financial position as a direct reduction of the face amount of the related long-term debt. Amortization of debt issuance costs was \$4,936 and \$4,935 for the years ended June 30, 2020 and 2019, respectively.

Aggregate maturities of long-term debt and accrued interest and amortization of debt issuance costs relating to long-term debt over the next five years are as follows:

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Amortization of Debt Issuance Costs</u>
2021	\$ 71,921	\$ 4,936
2022	\$ 362,480	\$ 4,936
2023	\$ 67,067	\$ 4,604
2024	\$ 67,831	\$ 2,542
2025	\$ 825,187	\$ 2,542

The mortgage notes payable contain various covenants and restrictions on HFI and Affiliates as described in the agreements. HFI and Affiliates were in compliance with these covenants and restrictions as of June 30, 2020.

6. NOTES PAYABLE TO A BANK

HFI had a \$300,000 line of credit agreement with a bank, which was amended in June 2020 to reduce maximum allowed borrowings to \$200,000. Borrowings under the agreement are due on demand and interest is payable monthly at the bank's base lending rate, plus 0.5% (3.75% and 6% at June 30, 2020 and 2019, respectively). Borrowings on the line of credit are secured by a security interest in all business assets. The line of credit renews annually on December 31st at the discretion of the bank. There was no outstanding balance on the line of credit at June 30, 2020. There was an outstanding balance of \$250,000 at June 30, 2019.

HFI is subject to certain covenants as described in the agreements. HFI was in compliance with these covenants as of June 30, 2020.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

7. CONTINGENT DEBT AND DEFERRED INTEREST

Contingent debt consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
HFI Properties		
Non-interest bearing note payable to the Commonwealth of Massachusetts, Department of Housing and Community Development (DHCD). All outstanding principal is due in September 2025, and is secured by a shared second mortgage on property in Revere, Massachusetts.	\$ 535,000	\$ 535,000
Non-interest bearing note payable with the City of Revere. All outstanding principal is due on demand if there is a default under the loan agreement or the property is sold or transferred. The note is secured by a shared second mortgage on property in Revere, Massachusetts.	40,000	40,000
Non-interest bearing note payable with the City of Peabody. All outstanding principal is due on demand if there is a default under the loan agreement or the property is transferred. Commencing in fiscal year 2016, and every year thereafter through fiscal year 2025, a portion of the outstanding principal balance will be forgiven, as defined in the agreement. Accordingly, \$5,195 was forgiven during fiscal years 2020 and 2019. The note is secured by a shared second mortgage on property in Revere, Massachusetts.	<u>25,975</u>	<u>31,170</u>
Total contingent debt - HFI Properties	<u>600,975</u>	<u>606,170</u>
MM Homes		
Non-interest bearing note payable to MRA. Payments of 25% of net cash flow, as defined in the agreement, are due annually each December. Based on this calculation, there were no payments due at June 30, 2020 and 2019. The note matures in August 2041, and is secured by a shared first mortgage on property located in Malden and Medford, Massachusetts.	847,459	847,459
Non-interest bearing note payable with DHCD under its Affordable Housing Trust Fund program. All outstanding principal is due in August 2042. The note is secured by a shared first mortgage on property in Malden and Medford, Massachusetts.	750,000	750,000
Non-interest bearing note payable with DHCD under its Non-Federal Investment Trust Fund program with a maximum outstanding amount of \$750,000. All outstanding principal is due in August 2042. The note is secured by a shared first mortgage on property in Malden and Medford, Massachusetts.	743,108	743,108

HOUSING FAMILIES INC. AND AFFILIATESNotes to Consolidating Financial Statements
June 30, 2020 and 2019**7. CONTINGENT DEBT AND DEFERRED INTEREST (Continued)**

	<u>2020</u>	<u>2019</u>
MM Homes (Continued)		
Non-interest bearing note payable with Community Economic Development Assistance Corporation (CEDAC) through its Housing Innovations Fund (HIF) program. The note stipulates that payments of principal be made before the maturity date, if gross receipts exceed 105% of cash expenditures, as defined in the agreement. Based on this calculation, there were no payments due at June 30, 2020 and 2019. The note matures in August 2042, and is secured by a shared first mortgage on property in Malden and Medford, Massachusetts.	179,988	179,988
Non-interest bearing note payable with CEDAC through its HIF program. The note stipulates that payments of principal be made before the maturity date, if gross receipts exceed 105% of cash expenditures, as defined in the agreement. Based on this calculation, there were no payments due at June 30, 2020 and 2019. The note matures in February 2028 and is secured by a shared first mortgage on property in Medford, Massachusetts.	70,230	70,230
Non-interest bearing note payable with CEDAC through its HIF program. The note stipulates that payments of principal be made before the maturity date, if gross receipts exceed 105% of cash expenditures, as defined in the agreement. Based on this calculation, there were no payments due at June 30, 2020 and 2019. All unpaid principal is due in July 2030. The note is secured by a shared first mortgage on the property in Malden, Massachusetts.	<u>46,820</u>	<u>46,820</u>
Total contingent debt - MM Homes	<u>2,637,605</u>	<u>2,637,605</u>
CSLP		
5.375% note payable to HFI, with interest compounded annually through June 30, 2015. Principal and interest are due annually if certain cash flow, as defined in the agreement, is achieved. There were no payments due for fiscal years 2020 and 2019. During fiscal years 2020 and 2019, HFI forgave the fiscal year 2020 and 2019 portions of deferred interest on this note. All unpaid principal and accrued interest are due in full in July 2023. This note is secured by a third mortgage on the property.	805,583	805,583
4.17% note payable to DHCD, with interest compounded annually. All unpaid principal and deferred interest are due in full in August 2033. This note is secured by a shared second mortgage on the property.	750,000	750,000

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

7. CONTINGENT DEBT AND DEFERRED INTEREST (Continued)

	<u>2020</u>	<u>2019</u>
CSLP (Continued)		
Non-interest bearing note payable to CEDAC. All principal is due on December 31, 2033. Payments are due on February 15 th of each year, if gross cash receipts for the year exceed 105% of gross cash expenditures for the year, as defined in the agreement. There were no payments due as of June 30, 2020 and 2019. This note is secured by a shared second mortgage on the property.	<u>500,000</u>	<u>500,000</u>
Total contingent debt - CSLP	2,055,583	2,055,583
Plus - deferred interest (see below)	<u>1,539,088</u>	<u>1,470,911</u>
Total contingent debt and deferred interest - CSLP	<u>3,594,671</u>	<u>3,526,494</u>
Total contingent debt and deferred interest	6,833,251	6,770,269
Less - elimination	<u>1,422,516</u>	<u>1,422,516</u>
	<u>\$ 5,410,735</u>	<u>\$ 5,347,753</u>

Deferred interest consists of the following as of June 30:

	<u>2020</u>	<u>2019</u>
DHCD note (see page 24)	\$ 708,074	\$ 647,467
Related party note, net (see above and page 19)	616,933	616,933
MRA note (see page 22)	<u>214,081</u>	<u>206,511</u>
	<u>\$ 1,539,088</u>	<u>\$ 1,470,911</u>

CEDAC, DHCD and MRA may extend the maturity dates of the notes on pages 23 through 25 for an additional forty years, if the property continues to be used for low-income housing.

The contingent debt agreements contain various covenants and restrictions on HFI and Affiliates as described in the agreements. HFI and Affiliates were in compliance with these covenants at June 30, 2020.

8. PAYCHECK PROTECTION PROGRAM LOAN

HFI applied for and was awarded a forgivable loan of \$139,824 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds will be used to pay certain payroll costs, including benefits as well as rent and utilities during an eight-week period (the covered period) as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred for a period of ten months from the end of the covered period, when the note, plus interest, will be due in equal monthly payments through May 26, 2022, which can be extended to May 26, 2025 if the loan is not forgiven. There are no covenants with which to comply and the note is not secured by any collateral as of June 30, 2020.

As of October 13, 2020, the HFI and Affiliates has not submitted the application for forgiveness. However, HFI and Affiliates anticipates the note payable will be forgiven in full and therefore, the balance has been classified as long-term in the accompanying statement of financial position as of June 30, 2020.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

9. COMMITMENTS

Facility Leases

HFI leases administration and program facilities under various operating leases expiring through December 2021. Program facility leases are renewable annually. Rent expense under these leases was approximately \$2,760,000 and \$2,630,000 for the years ended June 30, 2020 and 2019, respectively.

Equipment Leases

HFI leases certain equipment (see Note 4) under various capital lease agreements through May 2024. The interest rate under these agreements was 2.1% during fiscal years 2020 and 2019.

Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2021	\$ 20,352	\$ 2,996,337
2022	16,740	1,569,501
2023	16,740	-
2024	<u>13,314</u>	<u>-</u>
Total future minimum payments	67,146	<u>\$ 4,565,838</u>
Less - amounts representing interest	<u>330</u>	
Present value of future minimum lease payments	66,816	
Less - current portion	<u>20,352</u>	
Long-term portion	<u>\$ 46,464</u>	

10. RESERVES AND DEPOSITS

Reserves for Replacements

CSLP was required to establish and fund a reserve for replacements. The reserve for replacements is to be used to fund capital improvements. In fiscal years 2020 and 2019, CSLP was required to make monthly deposits of approximately \$1,029 and \$989, respectively, into this account. The required monthly deposits increase by 4% per year. During fiscal year 2019, CSLP received approval to withdraw \$50,345 from this account. There were no withdrawals from the account during fiscal year 2020.

HFI Properties was required to establish and fund a reserve for replacements. The reserve for replacements is to be used to fund capital improvements. HFI Properties is required to deposit \$500 per unit annually into the reserve for replacements account. HFI Properties must receive approval for any withdrawals in excess of \$2,000 from the reserve for replacements account. As of June 30, 2020 and 2019, this account was adequately funded.

MM Homes has established a reserve for replacement. MM Homes is not required to maintain a minimum balance and any deposits or withdrawals from this account are at the discretion of management.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

10. RESERVES AND DEPOSITS (Continued)

Operating Reserves

CSLP was also required to establish and fund an operating reserve. The operating reserve is to be used to fund operating deficits, if any. CSLP is required to deposit the lesser of 2% of project expenses or net cash flow annually into the operating reserve until the operating reserve reaches a balance equal to 50% of project expenses, as defined in CSLP agreement (approximately \$236,000 and \$248,000 as of December 31, 2020 and 2019, respectively). No amounts were withdrawn during fiscal years 2020 and 2019.

HFI Properties was also required to establish and fund an operating reserve. The operating reserve is to be used to fund operating deficits, if any. HFI Properties is required to deposit an amount sufficient to maintain a balance equal to 25% of the annual operating budget (approximately \$31,000 and \$30,000 as of June 30, 2020 and 2019, respectively). This account was adequately funded as of June 30, 2020 and 2019.

During fiscal year 2014, MM Homes established an operating reserve which is to be used to fund any future operating deficits. MM Homes is not required to maintain a minimum balance and any deposits or withdrawals from this account are at the discretion of management.

The following is a summary of the reserves with deposits and withdrawals for fiscal years 2020 and 2019:

	2020			
	<u>Beginning Balance July 1, 2019</u>	<u>Additions and Interest</u>	<u>With- drawals and Transfers</u>	<u>Ending Balance June 30, 2020</u>
Operating reserve	<u>\$ 255,438</u>	<u>\$ 218</u>	<u>\$ -</u>	<u>\$ 255,656</u>
Reserve for replacements	<u>\$ 177,913</u>	<u>\$ 28,553</u>	<u>\$ -</u>	<u>\$ 206,466</u>
Security deposits	<u>\$ 31,110</u>	<u>\$ 1,005</u>	<u>\$ -</u>	<u>\$ 32,115</u>
	2019			
	<u>Beginning Balance July 1, 2018</u>	<u>Additions and Interest</u>	<u>With- drawals and Transfers</u>	<u>Ending Balance June 30, 2019</u>
Operating reserve	<u>\$ 255,123</u>	<u>\$ 315</u>	<u>\$ -</u>	<u>\$ 255,438</u>
Reserve for replacements	<u>\$ 204,681</u>	<u>\$ 23,577</u>	<u>\$ (50,345)</u>	<u>\$ 177,913</u>
Security deposits	<u>\$ 31,345</u>	<u>\$ -</u>	<u>\$ (235)</u>	<u>\$ 31,110</u>

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

11. FUNDING

HFI and Affiliates receive a significant portion of their total operating support and revenues without donor restrictions (approximately 73% and 76% during fiscal years 2020 and 2019, respectively) from two funding sources under unit-rate and cost reimbursable contracts. These reimbursements are subject to audit by the funding sources. In the opinion of management, the results of such audits, if any, will not have a material effect on the consolidating financial position of HFI and Affiliates as of June 30, 2020 and 2019, or on the changes in their net assets for the years then ended.

CSLP receives significant rental subsidies from the MHA for qualified tenants. MHA has committed to provide subsidies through May 2030. MHA provided \$377,583 and \$259,891 in rental subsidies and vacancy reimbursements to CSLP during the years ended June 30, 2020 and 2019, respectively.

HFI Properties and MM Homes also receives significant rental subsidies from MHA and the Metro Boston Housing Partnership (MBHP) for qualified tenants. MHA and MBHP have committed to provide subsidies to HFI Properties and MM Homes through January 2025 and March 2023, respectively. Collectively, MHA and MBHP provided \$212,524 and \$199,511 in rental subsidies to HFI Properties and MM Homes during the years ended June 30, 2020 and 2019, respectively.

12. CONCENTRATIONS

Approximately 92% and 84% of HFI's accounts and pledges receivable were due from two sources as of June 30, 2020 and 2019, respectively.

13. PENSION PLAN

HFI and Affiliates has a voluntary defined contribution retirement plan in accordance with IRC Section 403(b). Employees may withhold contributions from their salaries on a tax-deferred basis within IRC limits. All employees are eligible for the plan. HFI and Affiliates can make discretionary matching contributions capping at \$1,000 per pay period. HFI and Affiliates made a matching contribution of \$31,157 and \$40,802 in fiscal years 2020 and 2019, respectively.

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

HFI and Affiliates' financial assets available for general operating use, that is, without donor or other restrictions limiting their use (see Note 2), within one year from the consolidating statements of financial position date, comprise the following at June 30:

	2020		2019	
	Housing Families Inc.	Rental Properties	Housing Families Inc.	Rental Properties
Cash	\$ 481,508	\$ 290,086	\$ 409,721	\$ 99,720
Accounts and pledges receivable	654,050	15,978	490,395	4,577
	<u>1,135,558</u>	<u>306,064</u>	<u>900,116</u>	<u>104,297</u>
Less - donor restricted pledges receivable	-	-	50,000	-
	<u>\$ 1,135,558</u>	<u>\$ 306,064</u>	<u>\$ 850,116</u>	<u>\$ 104,297</u>

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2020 and 2019

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

HFI and Affiliates regularly monitor the availability of resources required to meet the operating needs of the rental projects. For purpose of analyzing resources available to meet general obligations over a twelve-month period, HFI considers all expenditures related to the ongoing activities of operating rental housing to be general obligations, including the payment of debt service and contribution to reserves. The consolidated cash balance of the rental properties is not available to supplement HFI's operations or other projects. Each rental property's liquidity must be evaluated individually.

15. GOVERNMENT CONTRACTS AND GRANTS - CONDITIONAL

During fiscal year 2020, HFI and Affiliates received government contracts and grants totaling \$6,942,920 that contained conditions that represent a barrier that must be overcome as well as a right of return of assets or release from obligations. HFI and Affiliates recognizes these government contracts and grants when conditions are met. During the year ended June 30, 2020, HFI and Affiliates recognized \$5,600,941 of government contracts and grants. Conditional promises to give at June 30, 2020, consist of unit-rate and cost reimbursable government contracts totaling \$1,341,979. Conditional advances prior to the adoption of Topic 958 are not required to be disclosed under the modified prospective method.

16. CONTINGENCY

The COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. While HFI and Affiliates expect this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

17. RECLASSIFICATION

Certain amounts in the fiscal year 2019 consolidating financial statements were reclassified to conform with the fiscal year 2020 presentation.

HOUSING FAMILIES INC. AND AFFILIATES

Statements of Financial Position - Rental Properties
June 30, 2020 and 2019

	2020					2019				
	HFI Properties, Inc.	Malden Medford Homes LLC	Cross Street Housing LP	Eliminations	Total	HFI Properties, Inc.	Malden Medford Homes LLC	Cross Street Housing LP	Eliminations	Total
Assets										
Current Assets:										
Cash	\$ 86,880	\$ 72,714	\$ 130,492	\$ -	\$ 290,086	\$ 55,140	\$ 28,754	\$ 15,826	\$ -	\$ 99,720
Accounts receivable	-	9,012	6,966	-	15,978	-	1,822	2,755	-	4,577
Prepaid expenses and other	-	-	-	-	-	-	-	5,307	-	5,307
Due from affiliates	4,787	89,532	1,809	(91,341)	4,787	35,071	89,532	-	(89,532)	35,071
Total current assets	91,667	171,258	139,267	(91,341)	310,851	90,211	120,108	23,888	(89,532)	144,675
Reserves and Deposits:										
Operating reserve	43,381	27,473	184,802	-	255,656	43,256	27,473	184,709	-	255,438
Reserves for replacements	77,066	109,331	20,069	-	206,466	73,579	95,244	9,090	-	177,913
Security deposits	5,002	8,010	19,103	-	32,115	5,002	7,010	19,098	-	31,110
Total reserves and deposits	125,449	144,814	223,974	-	494,237	121,837	129,727	212,897	-	464,461
Other Assets:										
Property and equipment, net	1,273,799	1,806,083	4,095,156	-	7,175,038	1,312,890	1,945,029	4,232,385	-	7,490,304
Total assets	\$ 1,490,915	\$ 2,122,155	\$ 4,458,397	\$ (91,341)	\$ 7,980,126	\$ 1,524,938	\$ 2,194,864	\$ 4,469,170	\$ (89,532)	\$ 8,099,440
Liabilities and Net Assets										
Current Liabilities:										
Current portion of long-term debt and accrued interest	\$ 11,836	\$ 6,834	\$ 53,251	\$ -	\$ 71,921	\$ 15,108	\$ 6,699	\$ 50,183	\$ -	\$ 71,990
Current portion due to affiliates	60,602	166,255	252,786	(91,341)	388,302	58,793	130,788	165,533	(89,532)	265,582
Accounts payable	2,338	11,832	10,892	-	25,062	1,753	1,954	5,310	-	9,017
Accrued expenses	-	26,776	5,279	-	32,055	-	-	8,000	-	8,000
Total current liabilities	74,776	211,697	322,208	(91,341)	517,340	75,654	139,441	229,026	(89,532)	354,589
Long-Term Liabilities:										
Security deposits payable	5,002	8,010	19,103	-	32,115	5,002	7,010	19,098	-	31,110
Long-term debt, accrued interest and unamortized debt issuance costs, net of current portion	832,885	11,909	1,498,566	-	2,343,360	847,658	17,883	1,553,157	-	2,418,698
Due to affiliates, net of current portion	-	-	184,872	-	184,872	-	-	184,872	-	184,872
Contingent debt and deferred interest	600,975	2,637,605	3,594,671	-	6,833,251	606,170	2,637,605	3,526,494	-	6,770,269
Total long-term liabilities	1,438,862	2,657,524	5,297,212	-	9,393,598	1,458,830	2,662,498	5,283,621	-	9,404,949
Total liabilities	1,513,638	2,869,221	5,619,420	(91,341)	9,910,938	1,534,484	2,801,939	5,512,647	(89,532)	9,759,538
Net Assets										
Without donor restrictions:										
Operating	72,108	(6,132)	55,112	-	121,088	72,921	14,839	29,754	-	117,514
Property and equipment	(94,831)	(740,934)	(1,216,135)	-	(2,051,900)	(82,467)	(621,914)	(1,073,231)	-	(1,777,612)
Total net assets	(22,723)	(747,066)	(1,161,023)	-	(1,930,812)	(9,546)	(607,075)	(1,043,477)	-	(1,660,098)
Total liabilities and net assets	\$ 1,490,915	\$ 2,122,155	\$ 4,458,397	\$ (91,341)	\$ 7,980,126	\$ 1,524,938	\$ 2,194,864	\$ 4,469,170	\$ (89,532)	\$ 8,099,440

HOUSING FAMILIES INC. AND AFFILIATES

Statements of Activities - Rental Properties
For the Years Ended June 30, 2020 and 2019

	2020				2019			
	HFI Properties, Inc.	Malden Medford Homes LLC	Cross Street Housing LP	Total	HFI Properties, Inc.	Malden Medford Homes LLC	Cross Street Housing LP	Total
Operating Support and Revenues:								
Rental income, net of vacancies	\$ 118,473	\$ 231,030	\$ 536,893	\$ 886,396	\$ 118,488	\$ 218,760	\$ 407,567	\$ 744,815
Management fees, program income and other	185	81	109	375	242	253	1,143	1,638
Total operating support and revenues	<u>118,658</u>	<u>231,111</u>	<u>537,002</u>	<u>886,771</u>	<u>118,730</u>	<u>219,013</u>	<u>408,710</u>	<u>746,453</u>
Operating Expenses:								
Repairs and maintenance	19,307	59,882	91,181	170,370	15,729	35,283	92,315	143,327
Utilities	21,999	44,258	89,757	156,014	17,463	43,256	82,898	143,617
Interest	17,861	1,066	93,243	112,170	17,520	-	91,800	109,320
Taxes and insurance	19,855	34,767	46,237	100,859	20,916	33,340	46,096	100,352
Salaries	11,812	31,500	37,406	80,718	8,930	23,815	28,280	61,025
Resident services	-	45,915	28,000	73,915	-	72,589	28,000	100,589
Management fees	5,721	10,776	19,463	35,960	5,721	10,776	19,463	35,960
Professional fees	-	-	18,472	18,472	150	175	27,602	27,927
Interest - amortization of debt issuance costs	-	2,542	2,394	4,936	-	2,541	2,394	4,935
Office supplies and equipment	1,342	1,411	1,642	4,395	1,751	321	2,610	4,682
Miscellaneous	42	39	1,040	1,121	945	369	1,034	2,348
Total operating expenses before depreciation and amortization	<u>97,939</u>	<u>232,156</u>	<u>428,835</u>	<u>758,930</u>	<u>89,125</u>	<u>222,465</u>	<u>422,492</u>	<u>734,082</u>
Depreciation and amortization	<u>39,091</u>	<u>138,946</u>	<u>142,536</u>	<u>320,573</u>	<u>41,328</u>	<u>141,580</u>	<u>138,719</u>	<u>321,627</u>
Total operating expenses	<u>137,030</u>	<u>371,102</u>	<u>571,371</u>	<u>1,079,503</u>	<u>130,453</u>	<u>364,045</u>	<u>561,211</u>	<u>1,055,709</u>
Changes in net assets from operations	(18,372)	(139,991)	(34,369)	(192,732)	(11,723)	(145,032)	(152,501)	(309,256)
Non-Operating Activities:								
Forgiveness of debt	5,195	-	-	5,195	5,195	-	-	5,195
Asset management transfer fee	-	-	(15,000)	(15,000)	-	-	-	-
Deferred interest expense	-	-	(68,177)	(68,177)	-	-	(64,772)	(64,772)
Changes in net assets	(13,177)	(139,991)	(117,546)	(270,714)	(6,528)	(145,032)	(217,273)	(368,833)
Changes in Net Assets Attributable to Non-Controlling Interest	<u>-</u>	<u>-</u>	<u>46,031</u>	<u>46,031</u>	<u>-</u>	<u>-</u>	<u>217,273</u>	<u>217,273</u>
Changes in net assets attributable to Housing Families Inc.	<u>\$ (13,177)</u>	<u>\$ (139,991)</u>	<u>\$ (71,515)</u>	<u>\$ (224,683)</u>	<u>\$ (6,528)</u>	<u>\$ (145,032)</u>	<u>\$ -</u>	<u>\$ (151,560)</u>