



HOUSING FAMILIES AND AFFILIATES

**CONSOLIDATING FINANCIAL STATEMENTS IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS
AND UNIFORM GUIDANCE
JUNE 30, 2021 AND 2020**

HOUSING FAMILIES INC. AND AFFILIATES

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June 30, 2021 and 2020

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**Unmodified Opinion on Consolidating Financial Statements Accompanied by Other
Information – Not-For-Profit Entity**

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 (collectively, HFI and Affiliates), which comprise the consolidating statements of financial position as of June 30, 2021 and 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 on page one present fairly, in all material respects, the consolidating financial position of Housing Families Inc. and Affiliates as of June 30, 2021 and 2020, 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.

Other Matters

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 28 and 29 is presented for purposes of additional analysis and is not a required part of the consolidating financial statements. In addition, the Schedule of Expenditures of Federal Awards for the year ended June 30, 2021, 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*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021, on our consideration of HFI and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HFI and Affiliates' 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 HFI and Affiliates' internal control over financial reporting and compliance.

AAFCPA, Inc.

Westborough, Massachusetts
November 29, 2021

HOUSING FAMILIES INC. AND AFFILIATES

Consolidating Statement of Financial Position

June 30, 2021

(With Summarized Comparative Totals as of June 30, 2020)

Assets	2021			2020	
	Housing Families Inc.	Rental Properties (Exhibit A)	Eliminations	Total	Total
Current Assets:					
Cash	\$ 336,100	\$ 306,951	\$ -	\$ 643,051	\$ 771,594
Accounts and pledges receivable	1,158,371	17,283	-	1,175,654	670,028
Prepaid expenses and other	334,084	-	-	334,084	88,587
Current portion due from affiliates	572,876	-	(572,876)	-	-
Total current assets	<u>2,401,431</u>	<u>324,234</u>	<u>(572,876)</u>	<u>2,152,789</u>	<u>1,530,209</u>
Reserves and Deposits:					
Operating reserves	-	228,531	-	228,531	255,656
Reserves for replacements	-	255,581	-	255,581	206,466
Security deposits	-	30,803	-	30,803	32,115
Total reserves and deposits	<u>-</u>	<u>514,915</u>	<u>-</u>	<u>514,915</u>	<u>494,237</u>
Other Assets:					
Property and equipment, net	48,104	6,861,660	(56,012)	6,853,752	7,192,081
Due from affiliates, net of current portion	-	-	-	-	-
Notes receivable from affiliate, net	1,422,516	-	(1,422,516)	-	-
Total other assets	<u>1,470,620</u>	<u>6,861,660</u>	<u>(1,478,528)</u>	<u>6,853,752</u>	<u>7,192,081</u>
Total assets	<u>\$ 3,872,051</u>	<u>\$ 7,700,809</u>	<u>\$ (2,051,404)</u>	<u>\$ 9,521,456</u>	<u>\$ 9,216,527</u>
Liabilities and Net Assets					
Current Liabilities:					
Current portion of long-term debt and accrued interest	\$ -	\$ 104,855	\$ -	\$ 104,855	\$ 71,921
Current portion of capital lease obligations	16,740	-	-	16,740	20,352
Current portion of due to affiliates	625	572,251	(572,876)	-	-
Accounts payable	104,551	30,893	-	135,444	42,509
Accrued expenses	262,487	78	-	262,565	245,682
Total current liabilities	<u>384,403</u>	<u>708,077</u>	<u>(572,876)</u>	<u>519,604</u>	<u>380,464</u>
Long-Term Liabilities:					
Security deposits payable	-	30,803	-	30,803	32,115
Long-term debt, accrued interest and unamortized debt issuance costs, net of current portion	-	2,251,011	-	2,251,011	2,343,360
Capital lease obligations, net of current portion	32,085	-	-	32,085	46,464
Paycheck Protection Program loan	-	-	-	-	139,824
Contingent debt and deferred interest	-	6,898,686	(1,422,516)	5,476,170	5,410,735
Total long-term liabilities	<u>32,085</u>	<u>9,180,500</u>	<u>(1,422,516)</u>	<u>7,790,069</u>	<u>7,972,498</u>
Total liabilities	<u>416,488</u>	<u>9,888,577</u>	<u>(1,995,392)</u>	<u>8,309,673</u>	<u>8,352,962</u>
Net Assets					
Without donor restrictions:					
Operating	1,848,896	(50,457)	-	1,798,439	1,357,850
Property and equipment	(721)	(2,137,311)	1,551,376	(586,656)	(494,285)
Housing development	1,607,388	-	(1,607,388)	-	-
Total net assets	<u>3,455,563</u>	<u>(2,187,768)</u>	<u>(56,012)</u>	<u>1,211,783</u>	<u>863,565</u>
Total liabilities and net assets	<u>\$ 3,872,051</u>	<u>\$ 7,700,809</u>	<u>\$ (2,051,404)</u>	<u>\$ 9,521,456</u>	<u>\$ 9,216,527</u>

HOUSING FAMILIES INC. AND AFFILIATES

 Consolidating Statement of Financial Position
 June 30, 2020

Assets	Housing Families Inc.	Rental Properties (Exhibit A)	Eliminations	Total
Current Assets:				
Cash	\$ 481,508	\$ 290,086	\$ -	\$ 771,594
Accounts and pledges receivable	654,050	15,978	-	670,028
Prepaid expenses and other	88,587	-	-	88,587
Current portion due from affiliates	388,302	4,787	(393,089)	-
Total current assets	1,612,447	310,851	(393,089)	1,530,209
Reserves and Deposits:				
Operating reserves	-	255,656	-	255,656
Reserves for replacements	-	206,466	-	206,466
Security deposits	-	32,115	-	32,115
Total reserves and deposits	-	494,237	-	494,237
Other Assets:				
Property and equipment, net	75,302	7,175,038	(58,259)	7,192,081
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	1,682,690	7,175,038	(1,665,647)	7,192,081
Total assets	\$ 3,295,137	\$ 7,980,126	\$ (2,058,736)	\$ 9,216,527
Liabilities and Net Assets				
Current Liabilities:				
Current portion of long-term debt and accrued interest	\$ -	\$ 71,921	\$ -	\$ 71,921
Current portion of capital lease obligations	20,352	-	-	20,352
Current portion of due to affiliates	4,787	388,302	(393,089)	-
Accounts payable	17,447	25,062	-	42,509
Accrued expenses	213,627	32,055	-	245,682
Total current liabilities	256,213	517,340	(393,089)	380,464
Long-Term Liabilities:				
Security deposits payable	-	32,115	-	32,115
Long-term debt, accrued interest and unamortized debt issuance costs, net of current portion	-	2,343,360	-	2,343,360
Capital lease obligations, net of current portion	46,464	-	-	46,464
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
Total long-term liabilities	186,288	9,393,598	(1,607,388)	7,972,498
Total liabilities	442,501	9,910,938	(2,000,477)	8,352,962
Net Assets:				
Without donor restrictions:				
Operating	1,236,762	121,088	-	1,357,850
Property and equipment	8,486	(2,051,900)	1,549,129	(494,285)
Housing development	1,607,388	-	(1,607,388)	-
Total net assets	2,852,636	(1,930,812)	(58,259)	863,565
Total liabilities and net assets	\$ 3,295,137	\$ 7,980,126	\$ (2,058,736)	\$ 9,216,527

HOUSING FAMILIES INC. AND AFFILIATES

Consolidating Statement of Activities

For the Year Ended June 30, 2021

(With Summarized Comparative Totals for the Year Ended June 30, 2020)

	2021			2020	
	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	\$ 7,326,070	\$ -	\$ -	\$ 7,326,070	\$ 5,600,941
Grants and contributions	1,063,445	-	-	1,063,445	925,016
Rental income, net of vacancies	92,113	908,311	(126,120)	874,304	863,196
Donated goods and services	52,704	-	-	52,704	80,997
Management fees and other	37,331	1,288	(35,960)	2,659	10,134
Net assets released from program restrictions	-	-	-	-	50,000
Total operating support and revenues	<u>8,571,663</u>	<u>909,599</u>	<u>(162,080)</u>	<u>9,319,182</u>	<u>7,530,284</u>
Operating expenses:					
Program services	6,781,282	-	(120,639)	6,660,643	5,045,528
General and administrative	957,772	-	(2,131)	955,641	649,676
Fundraising	342,308	-	(3,350)	338,958	344,412
Rental Properties	-	787,742	(35,960)	751,782	722,970
Total operating expenses before depreciation and amortization	<u>8,081,362</u>	<u>787,742</u>	<u>(162,080)</u>	<u>8,707,024</u>	<u>6,762,586</u>
Depreciation and amortization	<u>27,198</u>	<u>313,378</u>	<u>(2,247)</u>	<u>338,329</u>	<u>341,059</u>
Total operating expenses	<u>8,108,560</u>	<u>1,101,120</u>	<u>(164,327)</u>	<u>9,045,353</u>	<u>7,103,645</u>
Changes in net assets without donor restrictions from operations	463,103	(191,521)	2,247	273,829	426,639
Non-operating activities:					
Forgiveness of debt	139,824	5,195	-	145,019	5,195
Asset management transfer fee	-	-	-	-	(15,000)
Deferred interest expense	-	(70,630)	-	(70,630)	(68,177)
Changes in net assets without donor restrictions	<u>602,927</u>	<u>(256,956)</u>	<u>2,247</u>	<u>348,218</u>	<u>348,657</u>
Changes in Net Assets With Donor Restrictions:					
Net assets released from restrictions	-	-	-	-	(50,000)
Changes in net assets with donor restrictions	-	-	-	-	(50,000)
Changes in net assets	602,927	(256,956)	2,247	348,218	298,657
Changes in Net Assets Attributable to Non-Controlling Interest					
Changes in net assets attributable to Housing Families Inc.	<u>\$ 602,927</u>	<u>\$ (256,956)</u>	<u>\$ 2,247</u>	<u>\$ 348,218</u>	<u>\$ 344,688</u>

HOUSING FAMILIES INC. AND AFFILIATES

 Consolidating Statement of Activities
 For the Year Ended June 30, 2020

	Housing Families Inc.	Rental Properties (Exhibit B)	Eliminations	Total
Changes in Net Assets Without Donor Restrictions:				
Operating support and revenues:				
Government contracts and grants	\$ 5,600,941	\$ -	\$ -	\$ 5,600,941
Grants and contributions	925,016	-	-	925,016
Rental income, net of vacancies	102,920	886,396	(126,120)	863,196
Donated goods and services	80,997	-	-	80,997
Management fees and other	45,719	375	(35,960)	10,134
Net assets released from program restrictions	50,000	-	-	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>
Operating expenses:				
Program services	5,166,167	-	(120,639)	5,045,528
General and administrative	651,807	-	(2,131)	649,676
Fundraising	347,762	-	(3,350)	344,412
Rental Properties	-	758,930	(35,960)	722,970
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>
Depreciation and amortization	<u>30,232</u>	<u>320,573</u>	<u>(9,746)</u>	<u>341,059</u>
Total operating expenses	<u>6,195,968</u>	<u>1,079,503</u>	<u>(171,826)</u>	<u>7,103,645</u>
Changes in net assets without donor restrictions from operations	609,625	(192,732)	9,746	426,639
Non-operating activities:				
Forgiveness of debt	-	5,195	-	5,195
Asset management transfer fee	-	(15,000)	-	(15,000)
Deferred interest expense	-	(68,177)	-	(68,177)
Changes in net assets without donor restrictions	<u>609,625</u>	<u>(270,714)</u>	<u>9,746</u>	<u>348,657</u>
Changes in Net Assets With Donor Restrictions:				
Contributions	-	-	-	-
Net assets released from program restrictions	(50,000)	-	-	(50,000)
Changes in net assets with donor restrictions	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
Changes in net assets	559,625	(270,714)	9,746	298,657
Changes in Net Assets Attributable to Non-Controlling Interest				
	<u>-</u>	<u>46,031</u>	<u>-</u>	<u>46,031</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>

HOUSING FAMILIES INC. AND AFFILIATES

Consolidating Statements of Changes in Net Assets
For the Years Ended June 30, 2021 and 2020

	<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, 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	-	-	(1,089,582)	(1,089,582)	1,089,582	-
Balance, June 30, 2020	2,852,636	(1,930,812)	(58,259)	863,565	-	\$ 863,565
Changes in net assets	602,927	(256,956)	2,247	348,218	-	348,218
Balance, June 30, 2021	<u>\$ 3,455,563</u>	<u>\$ (2,187,768)</u>	<u>\$ (56,012)</u>	<u>\$ 1,211,783</u>	<u>\$ -</u>	<u>\$ 1,211,783</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, 2021

	Housing Families Inc.	Rental Properties	Eliminations	Total
Cash Flows from Operating Activities:				
Changes in net assets	\$ 602,927	\$ (256,956)	\$ 2,247	\$ 348,218
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization	27,198	313,378	(2,247)	338,329
Interest - amortization of debt issuance costs	-	9,392	-	9,392
Forgiveness of debt	(139,824)	(5,195)	-	(145,019)
Deferred interest	-	70,630	-	70,630
Changes in operating assets and liabilities:				
Accounts and pledges receivable	(504,321)	(1,305)	-	(505,626)
Prepaid expenses and other	(245,497)	-	-	(245,497)
Due to/from affiliates	(3,864)	3,864	-	-
Accounts payable	87,104	5,831	-	92,935
Accrued expenses	48,860	(31,977)	-	16,883
Security deposits payable	-	(1,312)	-	(1,312)
Net cash provided by (used in) operating activities	<u>(127,417)</u>	<u>106,350</u>	<u>-</u>	<u>(21,067)</u>
Cash Flows from Financing Activities:				
Principal payments on long-term debt	-	(68,807)	-	(68,807)
Principal payments on capital lease obligations	(17,991)	-	-	(17,991)
Net cash used in financing activities	<u>(17,991)</u>	<u>(68,807)</u>	<u>-</u>	<u>(86,798)</u>
Net Change in Cash and Restricted Cash:	(145,408)	37,543	-	(107,865)
Cash and Restricted Cash:				
Beginning of year	<u>481,508</u>	<u>784,323</u>	<u>-</u>	<u>1,265,831</u>
End of year	<u>\$ 336,100</u>	<u>\$ 821,866</u>	<u>\$ -</u>	<u>\$ 1,157,966</u>
Reconciliation of Cash and Restricted Cash Reported Within the Consolidating Statements of Financial Position:				
Cash	\$ 336,100	\$ 306,951	\$ -	\$ 643,051
Operating reserves	-	228,531	-	228,531
Reserves for replacements	-	255,581	-	255,581
Security deposits	-	30,803	-	30,803
Total cash and restricted cash	<u>\$ 336,100</u>	<u>\$ 821,866</u>	<u>\$ -</u>	<u>\$ 1,157,966</u>
Supplemental Disclosure of Cash Flow Information:				
Cash paid for interest	<u>\$ 424</u>	<u>\$ 104,186</u>	<u>\$ -</u>	<u>\$ 104,610</u>

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
Net cash provided by operating activities	<u>207,225</u>	<u>300,485</u>	<u>-</u>	<u>507,710</u>
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)
Net cash used in financing activities	<u>(135,438)</u>	<u>(80,343)</u>	<u>-</u>	<u>(215,781)</u>
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
Total cash and restricted cash	<u>\$ 481,508</u>	<u>\$ 784,323</u>	<u>\$ -</u>	<u>\$ 1,265,831</u>
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 Functional Expenses

For the Year Ended June 30, 2021

(With Summarized Comparative Totals for the Year Ended June 30, 2020)

	2021						2020		
	Housing Families Inc.								
	Support Services								
	Program Services	General and Administrative	Fundraising	Total Support Services	Total	Rental Properties (Exhibit B)	Eliminations	Total	Total
Personnel and Related Costs:									
Salaries	\$ 1,810,459	\$ 222,510	\$ 210,878	\$ 433,388	\$ 2,243,847	\$ 137,073	\$ -	\$ 2,380,920	\$ 1,864,318
Payroll taxes and benefits	320,057	41,983	34,613	76,596	396,653	-	-	396,653	326,392
Contract labor	2,987	328,024	1,499	329,523	332,510	-	-	332,510	264,642
Temporary help	2,340	-	-	-	2,340	-	-	2,340	19,826
Total personnel and related costs	2,135,843	592,517	246,990	839,507	2,975,350	137,073	-	3,112,423	2,475,178
Occupancy:									
Rent	3,126,813	39,164	22,955	62,119	3,188,932	-	(126,120)	3,062,812	2,756,062
Repairs and maintenance	127,971	22,096	-	22,096	150,067	193,427	-	343,494	371,666
Utilities	132,170	250	-	250	132,420	173,584	-	306,004	291,550
Interest	-	-	-	-	-	104,186	-	104,186	112,170
Taxes and insurance	28,922	10,444	803	11,247	40,169	100,506	-	140,675	136,920
Total occupancy	3,415,876	71,954	23,758	95,712	3,511,588	571,703	(126,120)	3,957,171	3,668,368
Other:									
Direct client assistance	853,454	7,935	1,792	9,727	863,181	-	-	863,181	62,546
Professional fees	60,345	138,954	2,228	141,182	201,527	5,479	-	207,006	104,050
Office supplies and equipment	76,552	30,302	49,170	79,472	156,024	22,438	-	178,462	138,548
Non-capital equipment	114,249	37,294	12,565	49,859	164,108	-	-	164,108	49,358
Telephone	49,291	9,754	3,933	13,687	62,978	-	-	62,978	57,291
Donated goods and services	-	52,704	-	52,704	52,704	-	-	52,704	80,997
Vehicle costs	35,215	-	-	-	35,215	-	-	35,215	24,157
Miscellaneous	13,867	9,864	1,630	11,494	25,361	5,697	-	31,058	35,169
Insurance	16,664	6,194	242	6,436	23,100	-	-	23,100	28,278
Training, travel and meals	9,802	-	-	-	9,802	-	-	9,802	24,124
Interest - amortization of debt issuance costs	-	-	-	-	-	9,392	-	9,392	4,936
Interest	124	300	-	300	424	-	-	424	5,452
Management fees	-	-	-	-	-	35,960	(35,960)	-	-
Advertising	-	-	-	-	-	-	-	-	4,134
Total other	1,229,563	293,301	71,560	364,861	1,594,424	78,966	(35,960)	1,637,430	619,040
Total expenses before depreciation and amortization	6,781,282	957,772	342,308	1,300,080	8,081,362	787,742	(162,080)	8,707,024	6,762,586
Depreciation and Amortization	22,847	4,351	-	4,351	27,198	313,378	(2,247)	338,329	341,059
Total expenses	\$ 6,804,129	\$ 962,123	\$ 342,308	\$ 1,304,431	\$ 8,108,560	\$ 1,101,120	\$ (164,327)	\$ 9,045,353	\$ 7,103,645

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, 2020

	Housing Families Inc.				Total	Rental Properties (Exhibit B)	Eliminations	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	\$ 154,633	\$ -	\$ 1,864,318
Payroll taxes and benefits	245,125	35,798	45,469	81,267	326,392	-	-	326,392
Contract labor	-	264,642	-	264,642	264,642	-	-	264,642
Temporary help	19,826	-	-	-	19,826	-	-	19,826
Total personnel and related costs	1,573,130	450,368	297,047	747,415	2,320,545	154,633	-	2,475,178
Occupancy:								
Rent	2,835,410	23,817	22,955	46,772	2,882,182	-	(126,120)	2,756,062
Repairs and maintenance	185,278	14,186	130	14,316	199,594	172,072	-	371,666
Utilities	135,536	-	-	-	135,536	156,014	-	291,550
Interest	-	-	-	-	-	112,170	-	112,170
Taxes and insurance	36,779	492	492	984	37,763	99,157	-	136,920
Total occupancy	3,193,003	38,495	23,577	62,072	3,255,075	539,413	(126,120)	3,668,368
Other:								
Direct client assistance	61,906	-	640	640	62,546	-	-	62,546
Professional fees	10,850	71,194	3,534	74,728	85,578	18,472	-	104,050
Office supplies and equipment	81,965	41,733	10,455	52,188	134,153	4,395	-	138,548
Non-capital equipment	48,020	1,338	-	1,338	49,358	-	-	49,358
Telephone	42,183	11,930	3,178	15,108	57,291	-	-	57,291
Donated goods and services	80,997	-	-	-	80,997	-	-	80,997
Vehicle costs	24,157	-	-	-	24,157	-	-	24,157
Miscellaneous	17,751	8,108	8,189	16,297	34,048	1,121	-	35,169
Insurance	12,717	15,007	554	15,561	28,278	-	-	28,278
Training, travel and meals	18,592	5,267	265	5,532	24,124	-	-	24,124
Interest - amortization of debt issuance costs	-	-	-	-	-	4,936	-	4,936
Interest	715	4,737	-	4,737	5,452	-	-	5,452
Management fees	-	-	-	-	-	35,960	(35,960)	-
Advertising	181	3,630	323	3,953	4,134	-	-	4,134
Total other	400,034	162,944	27,138	190,082	590,116	64,884	(35,960)	619,040
Total expenses before depreciation and amortization	5,166,167	651,807	347,762	999,569	6,165,736	758,930	(162,080)	6,762,586
Depreciation and Amortization	25,210	5,022	-	5,022	30,232	320,573	(9,746)	341,059
Total expenses	\$ 5,191,377	\$ 656,829	\$ 347,762	\$ 1,004,591	\$ 6,195,968	\$ 1,079,503	\$ (171,826)	\$ 7,103,645

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

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2021 and 2020

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.

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, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

In accordance with ASC Topic 958 *Not-for-Profit Entities*, 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, 2021 and 2020

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).

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, 2021 and 2020.

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

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of \$35,000 fully amortized as of June 30, 2020. Amortization during fiscal years 2020 was \$5,307 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>2021</u>	<u>2020</u>
Contracted services	\$ 52,704	\$ 75,335
Program supplies	<u>-</u>	<u>5,662</u>
	<u>\$ 52,704</u>	<u>\$ 80,997</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.

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.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 and 2020. 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, 2021 and 2020, Cross Street Realty, Inc. and HFI Properties, Inc. had, for Federal income tax purposes, net operating loss carryforwards of approximately \$922,000 and \$777,000, 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 \$911,000 and \$768,000 available to offset future taxable income as of June 30, 2021 and 2020, respectively.

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, 2021 and 2020, 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.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through November 29, 2021, which is the date the consolidating financial statements were available to be issued. See Note 5 for an event 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.

Transactions between HFI and the entities described above 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 2021 and 2020. The unpaid development and overhead fee reimbursements were \$184,872 as of June 30, 2021 and 2020, 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, 2021 and 2020, consisted of the following:

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

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2021 and 2020

3. RELATED PARTY TRANSACTIONS (Continued)

Consolidating Entities (Continued)

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>2021</u>	<u>2020</u>
Due from CSLP	\$ 417,759	\$ 406,919
Due from MM Homes	149,054	166,255
Due from HFI Properties	<u>6,063</u>	<u>-</u>
	<u>\$ 572,876</u>	<u>\$ 573,174</u>

HFI owed \$4,787 to HFI Properties at June 30, 2020, for an operating advance.

At June 30, 2021 and 2020, there was \$36,302 and \$53,793, respectively, due from HFI Properties to MM Homes for subsidy rental receipts received from HFI Properties on behalf of MM Homes. At June 30, 2021 and 2020, there was \$30,739 due from CSLP to MM Homes for an operating advance. At June 30, 2021 and 2020, there was \$1,809 due from HFI Properties to CSLP for an operating advance.

HFI has a 5.375% note receivable from CSLP of which \$805,583 has been advanced at June 30, 2021 and 2020. 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 2021 and 2020. Interest compounds annually. All unpaid principal and deferred interest are due in full on July 23, 2033. For fiscal years 2021 and 2020, deferred interest expense on this loan was \$99,354 and \$94,286, respectively. This note is secured by a third mortgage on CSLP's property. During fiscal years 2021 and 2020, 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 tenant-at-will lease agreement with HFI to rent its commercial space to HFI at \$2,500 per month. HFI is also responsible for its proportionate share of utilities and real estate taxes. Rent was \$30,000 for fiscal years 2021 and 2020.

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 2021 and 2020.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2021 and 2020

3. RELATED PARTY TRANSACTIONS (Continued)

Consolidating Entities (Continued)

Notes receivable consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Interest receivable on sponsor loan	\$ 1,141,493	\$ 1,042,139
Sponsor loan receivable	<u>805,583</u>	<u>805,583</u>
Total notes receivable	1,947,076	1,847,722
Less - reserve on uncollectable amounts	<u>524,560</u>	<u>425,206</u>
Notes receivable, net	<u>\$ 1,422,516</u>	<u>\$ 1,422,516</u>

HFI has a \$300,000 line of credit agreement (see Note 6) and had 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.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

<u>2021</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	<u>95,520</u>	<u>-</u>	<u>-</u>	<u>95,520</u>
Total cost	362,899	11,099,955	(525,764)	10,937,090
Less - accumulated depreciation	<u>314,795</u>	<u>4,238,295</u>	<u>(469,752)</u>	<u>4,083,338</u>
	<u>\$ 48,104</u>	<u>\$ 6,861,660</u>	<u>\$ (56,012)</u>	<u>\$ 6,853,752</u>
<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	<u>95,520</u>	<u>-</u>	<u>-</u>	<u>95,520</u>
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>

Depreciation expense during fiscal years 2021 and 2020 was \$338,329 and \$335,752, respectively. Substantially all property and equipment are pledged as collateral on long-term and contingent debt (see Notes 5 and 7).

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2021 and 2020

4. PROPERTY AND EQUIPMENT (Continued)

HFI accounts for the carrying value of its property and equipment in accordance with ASC Topic, *Property, Plant and Equipment*. As of June 30, 2021 and 2020, 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, 2021 and 2020 (see Note 9). Depreciation expense for fiscal years 2021 and 2020 for assets under capital lease was \$17,577. As of June 30, 2021 and 2020, accumulated depreciation was \$41,013 and \$23,436, respectively, on these assets.

5. LONG-TERM DEBT

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

	<u>2021</u>	<u>2020</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, 2021 and 2020. The required payment of \$1,132 from the prior year net cash flow calculation was not made during fiscal year 2021. The note matures in November 2042, and is secured by a first mortgage on property located in Revere, Massachusetts.	\$ 534,980	\$ 534,980
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%, due in monthly principal and interest payments of \$2,359 using a twenty-five year amortization schedule. This note was set to mature in November 2021. In October 2021, this note was extended until November 2026 bearing interest at a fixed rate of 4.375% with monthly principal and interest payments of \$5,488 through maturity. This note is secured by a shared second mortgage on property located in Revere, Massachusetts.	<u>302,764</u>	<u>309,741</u>
Total HFI Properties	<u>837,744</u>	<u>844,721</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.	25,354	29,439
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>5,767</u>	<u>7,866</u>
Total MM Homes	<u>31,121</u>	<u>37,305</u>

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2021 and 2020

5. LONG-TERM DEBT (Continued)

	<u>2021</u>	<u>2020</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.	936,004	974,154
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.	<u>563,011</u>	<u>580,507</u>
Total CSLP	<u>1,499,015</u>	<u>1,554,661</u>
Total long-term debt	2,367,880	2,436,687
Plus - accrued interest to a bank	4,006	4,006
Less - current portion	104,855	71,921
Less - unamortized debt issuance costs	<u>16,020</u>	<u>25,412</u>
Total long-term debt, net of current portion	<u>\$ 2,251,011</u>	<u>\$ 2,343,360</u>

Debt issuance costs related to the various notes payable totaling \$38,123 and \$85,993 are shown net of accumulated imputed interest of \$22,103 and \$60,581 as of June 30, 2021 and 2020, 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 \$9,392 and \$4,936 for the years ended June 30, 2021 and 2020, 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>
2022	\$ 104,855	\$ 2,542
2023	\$ 121,465	\$ 2,542
2024	\$ 125,739	\$ 2,542
2025	\$ 885,707	\$ 2,542
2026	\$ 85,114	\$ 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, 2021.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2021 and 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% at June 30, 2021 and 2020, 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, 2021 and 2020.

HFI is subject to certain covenants as described in the agreements. HFI was in compliance with these covenants as of June 30, 2021.

7. CONTINGENT DEBT AND DEFERRED INTEREST

Contingent debt consists of the following at June 30:

	<u>2021</u>	<u>2020</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 2021 and 2020. The note is secured by a shared second mortgage on property in Revere, Massachusetts.	<u>20,780</u>	<u>25,975</u>
Total contingent debt - HFI Properties	<u>595,780</u>	<u>600,975</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, 2021 and 2020. 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

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2021 and 2020

7. CONTINGENT DEBT AND DEFERRED INTEREST (Continued)

	<u>2021</u>	<u>2020</u>
MM Homes (Continued)		
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
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, 2021 and 2020. 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, 2021 and 2020. 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, 2021 and 2020. 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>

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2021 and 2020

7. CONTINGENT DEBT AND DEFERRED INTEREST (Continued)

	<u>2021</u>	<u>2020</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 2021 and 2020. During fiscal years 2021 and 2020, HFI forgave the fiscal year 2021 and 2020 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
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, 2021 and 2020. 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>1,609,718</u>	<u>1,539,088</u>
Total contingent debt and deferred interest - CSLP	<u>3,665,301</u>	<u>3,594,671</u>
Total contingent debt and deferred interest	6,898,686	6,833,251
Less - elimination	<u>1,422,516</u>	<u>1,422,516</u>
	<u>\$ 5,476,170</u>	<u>\$ 5,410,735</u>

Deferred interest consists of the following as of June 30:

	<u>2021</u>	<u>2020</u>
DHCD note (see page 22)	\$ 772,058	\$ 708,074
Related party note, net (see above and page 19)	616,933	616,933
MRA note (see page 20)	<u>220,727</u>	<u>214,081</u>
	<u>\$ 1,609,718</u>	<u>\$ 1,539,088</u>

CEDAC, DHCD and MRA may extend the maturity dates of the notes on pages 21, 22 and above 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, 2021.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2021 and 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 were 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. In January 2021, the PPP loan plus accrued interest was forgiven in full and is reflected as forgiveness of debt in the accompanying fiscal year 2021 consolidating statement of activities.

9. COMMITMENTS

Facility Leases

HFI leases administration and program facilities under various operating leases expiring through December 2022. Program facility leases are renewable annually. Rent expense under these leases was approximately \$3,031,000 and \$2,760,000 for the years ended June 30, 2021 and 2020, respectively.

Vehicle Lease

HFI leases two vehicles under operating leases expiring through June 2024. Expenses under these leases was approximately \$15,863 and \$14,179 for the years ended June 30, 2021 and 2020, respectively, which is included in vehicle costs in the accompanying consolidating statements of functional expense. Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	<u>Facility Leases</u>	<u>Vehicle Leases</u>
2022	\$ 3,125,048	\$ 15,939
2023	1,641,721	15,939
2024	-	3,988
Total future minimum payments	<u>\$ 4,766,769</u>	<u>\$ 35,866</u>

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 2021 and 2020.

Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2022	\$ 17,209
2023	17,209
2024	15,774
Total future minimum payments	50,192
Less - amounts representing interest	<u>1,367</u>
Present value of future minimum lease payments	48,825
Less - current portion	<u>16,740</u>
Long-term portion	<u>\$ 32,085</u>

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2021 and 2020

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. Through December 31, 2019, CSLP was required to make monthly deposits of approximately \$1,029 into this account. There was no longer a requirement effective January 1, 2020, as MHEF transferred its ownership to HFI (see Note 3). There was no withdrawal from the account during fiscal years 2021 and 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, 2021 and 2020, 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.

Operating Reserves

CSLP was also required to establish and fund an operating reserve. The operating reserve was to be used to fund operating deficits, if any. CSLP was 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 as of December 31, 2019). No amounts were withdrawn during fiscal years 2021 and 2020.

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 \$30,000 and \$31,000 as of June 30, 2021 and 2020, respectively). This account was adequately funded as of June 30, 2021 and 2020.

During fiscal year 2014, MM Homes established an operating reserve which was to be used to fund any future operating deficits. MM Homes was not required to maintain a minimum balance and any deposits or withdrawals from this account are at the discretion of management. Therefore, MM Homes elected to close out the operating reserve during fiscal year 2021 and transferred the balance to operating cash.

The following is a summary of the reserves with deposits and withdrawals for fiscal years 2021 and 2020:

	2021			
	<u>Beginning Balance July 1, 2020</u>	<u>Additions and Interest</u>	<u>With- drawals and Transfers</u>	<u>Ending Balance June 30, 2021</u>
Operating reserve	<u>\$ 255,656</u>	<u>\$ 348</u>	<u>\$ 27,473</u>	<u>\$ 228,531</u>
Reserve for replacements	<u>\$ 206,466</u>	<u>\$ 49,115</u>	<u>\$ -</u>	<u>\$ 255,581</u>
Security deposits	<u>\$ 32,115</u>	<u>\$ -</u>	<u>\$ 1,312</u>	<u>\$ 30,803</u>

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2021 and 2020

10. RESERVES AND DEPOSITS (Continued)

Operating Reserves (Continued)

	2020			
	Beginning Balance July 1, 2019	Additions and Interest	With- drawals and Transfers	Ending Balance June 30, 2020
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>

11. FUNDING

HFI and Affiliates receive a significant portion of their total operating support and revenues without donor restrictions (approximately 69% and 73% during fiscal years 2021 and 2020, 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, 2021 and 2020, 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 \$382,343 and \$377,583 in rental subsidies and vacancy reimbursements to CSLP during the years ended June 30, 2021 and 2020, 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 \$210,858 and \$212,524 in rental subsidies to HFI Properties and MM Homes during the years ended June 30, 2021 and 2020, respectively.

12. CONCENTRATIONS

Approximately 73% and 92% of HFI's accounts and pledges receivable were due from two sources as of June 30, 2021 and 2020, 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 \$30,265 and \$31,157 in fiscal years 2021 and 2020, respectively, which is included in payroll taxes and benefits in the accompanying consolidating statements of functional expense.

HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements
June 30, 2021 and 2020

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:

	<u>2021</u>		<u>2020</u>	
	<u>Housing Families Inc.</u>	<u>Rental Properties</u>	<u>Housing Families Inc.</u>	<u>Rental Properties</u>
Cash	\$ 336,100	\$ 306,951	\$ 481,508	\$ 290,086
Accounts and pledges receivable	<u>1,158,371</u>	<u>17,283</u>	<u>654,050</u>	<u>15,978</u>
	<u>\$ 1,494,471</u>	<u>\$ 324,234</u>	<u>\$ 1,135,558</u>	<u>\$ 306,064</u>

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 2021 and 2020, HFI and Affiliates received government contracts and grants totaling \$8,945,802 and \$6,942,920, respectively, 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 years ended June 30, 2021 and 2020, HFI and Affiliates recognized \$7,326,070 and \$5,600,941, respectively, of government contracts and grants. Conditional promises to give at June 30, 2021 and 2020, consist of unit-rate and cost reimbursable government contracts totaling \$1,619,732 and \$1,341,979, respectively.

16. CONTINGENCIES

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. The related financial impact and duration cannot be reasonably estimated at this time.

In the ordinary course of HFI and Affiliates' business, HFI and Affiliates is, from time-to-time, a defendant in litigation. While the counterparties are seeking damages in connection with these disputes, HFI and Affiliates denies any wrongdoing in these cases and is taking the appropriate legal steps in defense of these disputes. It is HFI and Affiliates' opinion that any potential settlement would not be material to the accompanying consolidating financial statements.

17. RECLASSIFICATION

Certain amounts in the fiscal year 2020 consolidating financial statements were reclassified to conform with the fiscal year 2021 presentation.

HOUSING FAMILIES INC. AND AFFILIATES

Statements of Financial Position - Rental Properties
June 30, 2021 and 2020

	2021					2020				
	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	\$ 47,616	\$ 81,701	\$ 177,634	\$ -	\$ 306,951	\$ 86,880	\$ 72,714	\$ 130,492	\$ -	\$ 290,086
Accounts receivable	2,205	5,789	9,289	-	17,283	-	9,012	6,966	-	15,978
Due from affiliates	-	67,041	1,809	(68,850)	-	4,787	89,532	1,809	(91,341)	4,787
Total current assets	<u>49,821</u>	<u>154,531</u>	<u>188,732</u>	<u>(68,850)</u>	<u>324,234</u>	<u>91,667</u>	<u>171,258</u>	<u>139,267</u>	<u>(91,341)</u>	<u>310,851</u>
Reserves and Deposits:										
Operating reserve	43,522	-	185,009	-	228,531	43,381	27,473	184,802	-	255,656
Reserves for replacements	80,270	145,167	30,144	-	255,581	77,066	109,331	20,069	-	206,466
Security deposits	5,001	7,008	18,794	-	30,803	5,002	8,010	19,103	-	32,115
Total reserves and deposits	<u>128,793</u>	<u>152,175</u>	<u>233,947</u>	<u>-</u>	<u>514,915</u>	<u>125,449</u>	<u>144,814</u>	<u>223,974</u>	<u>-</u>	<u>494,237</u>
Other Assets:										
Property and equipment, net	<u>1,235,459</u>	<u>1,668,274</u>	<u>3,957,927</u>	<u>-</u>	<u>6,861,660</u>	<u>1,273,799</u>	<u>1,806,083</u>	<u>4,095,156</u>	<u>-</u>	<u>7,175,038</u>
Total assets	<u>\$ 1,414,073</u>	<u>\$ 1,974,980</u>	<u>\$ 4,380,606</u>	<u>\$ (68,850)</u>	<u>\$ 7,700,809</u>	<u>\$ 1,490,915</u>	<u>\$ 2,122,155</u>	<u>\$ 4,458,397</u>	<u>\$ (91,341)</u>	<u>\$ 7,980,126</u>
Liabilities and Net Assets										
Current Liabilities:										
Current portion of long-term debt and accrued interest	\$ 41,403	\$ 6,971	\$ 56,481	\$ -	\$ 104,855	\$ 11,836	\$ 6,834	\$ 53,251	\$ -	\$ 71,921
Current portion due to affiliates	44,174	149,054	447,873	(68,850)	572,251	60,602	166,255	252,786	(91,341)	388,302
Accounts payable	3,332	13,194	14,367	-	30,893	2,338	11,832	10,892	-	25,062
Accrued expenses	-	-	78	-	78	-	26,776	5,279	-	32,055
Total current liabilities	<u>88,909</u>	<u>169,219</u>	<u>518,799</u>	<u>(68,850)</u>	<u>708,077</u>	<u>74,776</u>	<u>211,697</u>	<u>322,208</u>	<u>(91,341)</u>	<u>517,340</u>
Long-Term Liabilities:										
Security deposits payable	5,001	7,008	18,794	-	30,803	5,002	8,010	19,103	-	32,115
Long-term debt, accrued interest and unamortized debt issuance costs, net of current portion	796,341	8,130	1,446,540	-	2,251,011	832,885	11,909	1,498,566	-	2,343,360
Due to affiliates, net of current portion	-	-	-	-	-	-	-	184,872	-	184,872
Contingent debt and deferred interest	595,780	2,637,605	3,665,301	-	6,898,686	600,975	2,637,605	3,594,671	-	6,833,251
Total long-term liabilities	<u>1,397,122</u>	<u>2,652,743</u>	<u>5,130,635</u>	<u>-</u>	<u>9,180,500</u>	<u>1,438,862</u>	<u>2,657,524</u>	<u>5,297,212</u>	<u>-</u>	<u>9,393,598</u>
Total liabilities	<u>1,486,031</u>	<u>2,821,962</u>	<u>5,649,434</u>	<u>(68,850)</u>	<u>9,888,577</u>	<u>1,513,638</u>	<u>2,869,221</u>	<u>5,619,420</u>	<u>(91,341)</u>	<u>9,910,938</u>
Net Assets										
Without donor restrictions:										
Operating	45,837	(7,717)	(88,577)	-	(50,457)	72,108	(6,132)	55,112	-	121,088
Property and equipment	(117,795)	(839,265)	(1,180,251)	-	(2,137,311)	(94,831)	(740,934)	(1,216,135)	-	(2,051,900)
Total net assets	<u>(71,958)</u>	<u>(846,982)</u>	<u>(1,268,828)</u>	<u>-</u>	<u>(2,187,768)</u>	<u>(22,723)</u>	<u>(747,066)</u>	<u>(1,161,023)</u>	<u>-</u>	<u>(1,930,812)</u>
Total liabilities and net assets	<u>\$ 1,414,073</u>	<u>\$ 1,974,980</u>	<u>\$ 4,380,606</u>	<u>\$ (68,850)</u>	<u>\$ 7,700,809</u>	<u>\$ 1,490,915</u>	<u>\$ 2,122,155</u>	<u>\$ 4,458,397</u>	<u>\$ (91,341)</u>	<u>\$ 7,980,126</u>

HOUSING FAMILIES INC. AND AFFILIATES

Statements of Activities - Rental Properties
For the Years Ended June 30, 2021 and 2020

	2021				2020			
	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	\$ 119,401	\$ 254,663	\$ 534,247	\$ 908,311	\$ 118,473	\$ 231,030	\$ 536,893	\$ 886,396
Management fees, program income and other	210	248	830	1,288	185	81	109	375
Total operating support and revenues	<u>119,611</u>	<u>254,911</u>	<u>535,077</u>	<u>909,599</u>	<u>118,658</u>	<u>231,111</u>	<u>537,002</u>	<u>886,771</u>
Operating Expenses:								
Repairs and maintenance	45,298	56,660	91,469	193,427	21,009	59,882	91,181	172,072
Utilities	26,324	43,123	104,137	173,584	21,999	44,258	89,757	156,014
Salaries and resident services	17,206	53,382	66,485	137,073	11,812	77,415	65,406	154,633
Interest	18,183	702	85,301	104,186	17,861	1,066	93,243	112,170
Taxes and insurance	17,990	34,687	47,829	100,506	18,153	34,767	46,237	99,157
Management fees	5,721	10,776	19,463	35,960	5,721	10,776	19,463	35,960
Office supplies and equipment	4,779	13,325	4,334	22,438	1,342	1,411	1,642	4,395
Interest - amortization of debt issuance costs	-	2,542	6,850	9,392	-	2,542	2,394	4,936
Miscellaneous	-	1,821	3,876	5,697	42	39	1,040	1,121
Professional fees	200	-	5,279	5,479	-	-	18,472	18,472
Total operating expenses before depreciation and amortization	<u>135,701</u>	<u>217,018</u>	<u>435,023</u>	<u>787,742</u>	<u>97,939</u>	<u>232,156</u>	<u>428,835</u>	<u>758,930</u>
Depreciation and amortization	<u>38,340</u>	<u>137,809</u>	<u>137,229</u>	<u>313,378</u>	<u>39,091</u>	<u>138,946</u>	<u>142,536</u>	<u>320,573</u>
Total operating expenses	<u>174,041</u>	<u>354,827</u>	<u>572,252</u>	<u>1,101,120</u>	<u>137,030</u>	<u>371,102</u>	<u>571,371</u>	<u>1,079,503</u>
Changes in net assets from operations	(54,430)	(99,916)	(37,175)	(191,521)	(18,372)	(139,991)	(34,369)	(192,732)
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	-	-	(70,630)	(70,630)	-	-	(68,177)	(68,177)
Changes in net assets	(49,235)	(99,916)	(107,805)	(256,956)	(13,177)	(139,991)	(117,546)	(270,714)
Changes in Net Assets Attributable to Non-Controlling Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,031</u>	<u>46,031</u>
Changes in net assets attributable to Housing Families Inc.	<u>\$ (49,235)</u>	<u>\$ (99,916)</u>	<u>\$ (107,805)</u>	<u>\$ (256,956)</u>	<u>\$ (13,177)</u>	<u>\$ (139,991)</u>	<u>\$ (71,515)</u>	<u>\$ (224,683)</u>

HOUSING FAMILIES INC. AND AFFILIATES

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Passed-Through Commonwealth of Massachusetts, Department of Housing and Community Development:			
Continuum of Care Program	14.267	OCD810016FDFAMLEASE0	\$ 315,844
Passed-Through Heading Home, Inc.:			
Continuum of Care Program	14.267	MA0475L1T161401	121,191
Continuum of Care Program	14.267	MA0220L1T161912	<u>407,985</u>
Total Assistance Listing #14.267			<u>845,020</u>
Passed-Through City of Everett:			
Community Development Block Grants/Entitlement Grants (CDBG - Entitlement Grants Cluster)	14.218	N/A	20,601
Passed-Through City of Medford:			
Community Development Block Grants/Entitlement Grants (CDBG - Entitlement Grants Cluster)	14.218	21-0111	48,075
Passed-Through City of Malden:			
Community Development Block Grants/Entitlement Grants (CDBG - Entitlement Grants Cluster)	14.218	N/A	416,461
Passed-Through Malden Redevelopment Authority:			
Community Development Block Grants/Entitlement Grants (CDBG - Entitlement Grants Cluster)	14.218	N/A	<u>184,996</u>
Total CDBG Entitlement Grants Cluster			<u>670,133</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,515,153</u></u>

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal assistance activity of Housing Families Inc. and is presented 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

HFI and Affiliates' consolidating financial statements include the operations of HFI Properties, Inc., Malden Medford Homes LLC and Cross Street Housing Limited Partnership (collectively, the Affiliates), which are not included in the accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2021, since the Affiliates are not subject to Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Guidance.

Note 2. Indirect Cost Rate

Housing Families Inc. has elected not to use the 10% de minimis cost rate for its Federal programs.

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Consolidating Financial Statements
Performed in Accordance With Government Auditing Standards**

Independent Auditor's Report

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

We have audited, in accordance with the 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 consolidating financial statements of Housing Families Inc. and Affiliates (collectively, HFI and Affiliates), which comprise the consolidating statement of financial position as of June 30, 2021, and the related consolidating statements of activities, changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the consolidating financial statements, and have issued our report thereon dated November 29, 2021. The financial statements of HFI Properties, Inc., Malden Medford Homes LLC and Cross Street Housing Limited Partnership (collectively, the Affiliates) are organized as for-profit entities and were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of noncompliance associated with the Affiliates.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidating financial statements, we considered HFI and Affiliates' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidating financial statements, but not for the purpose of expressing an opinion on the effectiveness of HFI and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of HFI and Affiliates' 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 HFI and Affiliates' consolidating 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HFI and Affiliates' consolidating 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 consolidating financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

AAFCPA, Inc.

Westborough, Massachusetts
November 29, 2021



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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Housing Families Inc. and Affiliates' (collectively, HFI and Affiliates) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on HFI and Affiliates' major Federal program for the year ended June 30, 2021. HFI and Affiliates' major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

HFI and Affiliates' consolidating financial statements include the financial statements of HFI Properties, Inc., Malden Medford Homes LLC and Cross Street Housing Limited Partnership (collectively, the Affiliates) which are organized as for-profit entities and, accordingly, their Federal Awards are not included in the schedule of expenditures of federal awards for the year ended June 30, 2021. Our audit, described below, did not include the Federal Awards of those Affiliates because those Affiliates are not subject to Uniform Guidance standards.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for HFI and Affiliates' major Federal program 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; 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 HFI and Affiliates' 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 the major Federal program. However, our audit does not provide a legal determination of HFI and Affiliates' compliance.

Opinion on Each Major Federal Program

In our opinion, HFI and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of HFI and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered HFI and Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on the major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal program and to test and report on internal control over compliance in accordance with 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 HFI and Affiliates' 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

AAFCPAs, Inc.

Westborough, Massachusetts
November 29, 2021

HOUSING FAMILIES INC. AND AFFILIATES

Schedule of Findings and Questioned Costs
June 30, 2021

1. SUMMARY OF AUDITOR’S RESULTS

Consolidating Financial Statements

Type of auditor’s report issued on whether the consolidating financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Is a “going concern” emphasis-of-matter paragraph included in the auditor’s report? Yes X No

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to consolidating financial statements noted? Yes X No

Federal Awards

Internal control over the major Federal program:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor’s report issued on compliance for the major Federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of the major Federal program:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Continuum of Care Program	14.267

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

Auditee qualified as low-risk auditee? X Yes No

HOUSING FAMILIES INC. AND AFFILIATES

Schedule of Findings and Questioned Costs
June 30, 2021

2. CONSOLIDATING FINANCIAL STATEMENT FINDINGS

None

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None