Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Consolidated and Combined Financial Statements and Independent Auditor's Report

June 30, 2018

CohnReznick

Accounting • Tax • Advisory

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Index

Independent Auditor's Report

To the Board of Directors
Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Report on the Consolidated and Combined Financial Statements

We have audited the accompanying consolidated and combined financial statements of Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates, which comprise the consolidated and combined statement of financial position as of June 30, 2018, and the related consolidated and combined statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated and combined financial statements.

Management's Responsibility for the Consolidated and combined Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and combined 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 consolidated and combined 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 consolidated and combined financial statements.

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

Opinion

In our opinion, the consolidated and combined financial statements referred to above present fairly, in all material respects, the consolidated and combined financial position of Praxis Housing Initiatives, Inc. and subsidiaries and affiliates as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated and combined financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards for Praxis Housing Initiatives, Inc., as required by Title 2 U.S. *Code of Federal Regulations* 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 consolidated and combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated and combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated and combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated and combined financial statements or to the consolidated and combined 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 consolidated and combined 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 April 1, 2019, on our consideration of Praxis Housing Initiatives, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Praxis Housing Initiatives, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Praxis Housing Initiatives, Inc.'s internal control over financial reporting and compliance.

CohnReznick LLP

New York, New York
April 1, 2019

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Consolidated and Combined Statement of Financial Position
June 30, 2018

Assets

Cash	$ 2,121,461
Accounts receivable, net	2,200,790
Developer fees receivable, net	214,483
Restricted cash	882,532
Prepaid expenses	57,497
Tax credit fees, net	68,919
Fixed assets, net	42,383,129
Security deposits receivable	146,228
Total assets	$ 48,075,039

Liabilities and Net Assets

Liabilities	
Accounts payable and accrued expenses	$ 1,490,296
Accrued interest payable	1,273,739
Developer fees payable	214,483
Deferred rent payable	357,891
Mortgages and loans payable, net of unamortized debt issuance cost	33,430,641
Construction costs payable	1,476
Total liabilities	36,768,526
Net assets	
Controlling Net assets	
Unrestricted	5,308,107
Temporarily restricted	213,463
Total controlling net assets	5,521,570
Noncontrolling interest, unrestricted	5,784,943
Total net assets	11,306,513
Total liabilities and net assets	$ 48,075,039

See Notes to Consolidated and Combined Financial Statements.

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Consolidated and Combined Statement of Activities
Year Ended June 30, 2018

Revenue and support	
Government grants	$ 16,968,778
Rental income	2,429,466
Developer fee income	214,483
In-kind contributions	116,500
Interest income	4,710
Other	508,053
Total revenue and support	20,241,990
Expenses	
Program services	
Housing services (including interest expense of $1,121,074)	20,619,336
Supporting services	
Management and general	1,970,278
Fund raising and development	138,034
Total supporting services	2,108,312
Total expenses	22,727,648
Change in net assets before noncontrolling interest	(2,485,658)
Change in net assets attributable to noncontrolling interest	(2,567,672)
Change in net assets attributable to controlling interest	$ 82,014

See Notes to Consolidated and Combined Financial Statements.

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Consolidated and Combined Statement of Changes in Net Assets
Year Ended June 30, 2018

	Controlling Interest				
	Unrestricted net assets	Temporarily restricted net assets	Total controlling interest	Unrestricted noncontrolling interest	Total net assets
Balance, June 30, 2017	$ 5,226,093	$ 213,463	$ 5,439,556	$ 8,352,615	$ 13,792,171
Changes in net assets	82,014	-	82,014	(2,567,672)	(2,485,658)
Balance, June 30, 2018	$ 5,308,107	$ 213,463	$ 5,521,570	$ 5,784,943	$ 11,306,513

See Notes to Consolidated and Combined Financial Statements.

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Consolidated and Combined Statement of Functional Expenses
Year Ended June 30, 2018

	Program services	Supporting services			
	Housing services	Management and general	Fundraising and development	Total supporting services	Total program and supporting services
Salaries	$ 4,657,840	$ 589,900	$ 43,000	$ 632,900	$ 5,290,740
Payroll taxes and benefits	1,105,658	133,879	9,759	143,638	1,249,296
Total personnel costs	5,763,498	723,779	52,759	776,538	6,540,036
Professional fees	116,590	369,976	6,850	376,826	493,416
Client clothing and program supplies	237,543	-	-	-	237,543
Occupancy costs	8,400,993	194,791	21,643	216,434	8,617,427
Insurance	476,270	53,804	5,978	59,782	536,052
Office supplies	845,808	104,593	24,637	129,230	975,038
Maintenance, repairs and equipment rental	182,664	28,602	1,406	30,008	212,672
Travel	142,599	1,433	159	1,592	144,191
Interest expenses	1,121,074	-	-	-	1,121,074
Other	1,749,902	476,735	20,461	497,196	2,247,098
Depreciation and amortization	1,582,395	16,565	4,141	20,706	1,603,101
Total expenses	$ 20,619,336	$ 1,970,278	$ 138,034	$ 2,108,312	$ 22,727,648

See Notes to Consolidated and Combined Financial Statements.

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Consolidated and Combined Statement of Cash Flow
Year Ended June 30, 2018

Cash flows from operating activities	
Change in net assets	$ (2,485,658)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	1,603,101
Amortization of debt issuance costs	159,214
Changes in accounts receivable	(218,808)
Changes in prepaid expenses	3,866
Changes in developer fee receivable	323,121
Changes in accounts and accrued expenses payable	792,884
Changes in accrued interest expense	933,435
Changes in deferred interest income	(33,781)
Changes in deferred rent payable	353,895
Net cash provided by operating activities	1,431,269
Cash flows from investing activities	
Purchase of fixed assets	(2,167,323)
Net change in restricted cash	(21,071)
Payments on tax credit fees	(5,380)
Net cash used in investing activities	(2,193,774)
Cash flows from financing activities	
Repayments of line of credit and loans payable	(25,000)
Repayments of mortgage payable	(178,953)
Repayments of loan payable	(47,210)
Proceeds from construction loan	2,534,952
Payments of financing fees	(479,884)
Net cash provided by financing activities	1,803,905
Net increase in cash	1,041,400
Cash, beginning of year	1,080,061
Cash, end of year	$ 2,121,461
Supplemental disclosure of cash flow information	
Cash paid during the year for interest, net of amount capitalized	$ 187,639
Noncash operating activities for gifts or services	$ 116,500

See Notes to Consolidated and Combined Financial Statements.

Note 1 - Organization

Praxis Housing Initiatives, Inc. (the "Parent", the "Corporation, or "PHI") is a nonprofit organization established pursuant to the laws of New York State. PHI has been granted exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. The mission of Praxis Housing Initiatives, Inc. is to stabilize chronically homeless persons with multiple diagnoses, such as HIV/AIDS, mental health, chemical dependency, and other special needs through clean, safe housing and support services that lead to recovery, stability, and ultimately, independence. The organization provides case management services, permanent housing placement, vocational training and job placement, referrals to mental health and substance abuse treatment programs. Government contract revenue is provided by various government agencies at federal, New York State and City levels. Rental income, in the form of per diem reimbursements, is primarily provided by New York City Division of HIV/AIDS Services Administration ("HASA") and through its investments and management of affordable housing real estate entities.

The following subsidiaries include two corporations (collectively, the "Managing Member Entities") which are wholly owned by PHI:

Entity Name	State Incorporated	Date Formed	Interest in For-Profit Housing Subsidiary
Praxis White Plains Road Managing Member, Inc.	New York	August 25, 2011	.01% controlling intrest in Praxis White Plains Road, LLC
Loring Place North GP, Inc.	New York	August 13, 2014	.01% controlling intrest in Loring Place North L.P.

The following two for-profit housing entities (collectively, the "Real Estate Entities") are entities in which the Managing Member Entities have a controlling interest:

Entity Name	State Incorporated	Date Formed / Acquired	Purpose
Praxis White Plains Road, LLC	New York	February 19, 2010	60-unit residential affordable housing property located in the Bronx, New York to house formerly homeless individuals.
Loring Place North L.P.	New York	August 13, 2014	66-unit residential affordable housing property located in the Bronx, New York to house formerly homeless persons with special needs as well as neighborhood residents who meet the income guidelines for community units.

Loring Place North, HDFC, a non-profit affiliate of PHI in which PHI controls through common board membership is combined with PHI (individually, "LPN HDFC", and, collectively with PHI, the "Corporate Entities").

Principles of consolidation
The consolidated and combined financial statements include PHI and its two wholly owned corporate subsidiaries, one nonprofit entity in which PHI controls through common board membership and two partnership entities in which PHI has a managing member interest; as required by accounting principles generally accepted in the United States of America ("GAAP"), which are further described below.

The consolidated and combined entity is collectively referred to as the "Organization".

Based on the provisions of ASC Topic 810, the Corporation determined that the presumption of control for the entities in which PHI is the managing member had not been overcome, and as a result, PHI is required to consolidate the financial statements of those entities.

The accompanying consolidated and combined financial statements are prepared on a consolidated and combined basis and include the activities, as of and for the year ended June 30, 2018, of entities controlled by PHI through its sponsorship in other nonprofit entities or its controlling interest in for-profit entities.

All significant intercompany balances and transactions have been eliminated in consolidation and combination.

Note 2 - Summary of significant accounting policies

Basis of accounting
The consolidated financial statements of Praxis Housing Initiatives, Inc. and subsidiaries and affiliates have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts receivable, net
Accounts receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2018, allowance for doubtful accounts is $262,113.

Tax credit fees

Costs related to obtaining low-income housing tax credits are being amortized over the mandatory 15-year compliance period. Amortization expense for the year ended June 30, 2018 was $5,800. Annual amortization expense relating to tax credits for each of the next five years through June 30, 2023 is estimated to be $5,800 each year.

Impairment of long-lived assets

The Organization reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment losses were recognized for the year ended June 30, 2018.

Fixed assets

Building and building improvements, furniture, fixtures and equipment, less accumulated depreciation or amortization computed on the straight-line method.

The estimated useful lives are as follows:

	Estimated life
Building	30 to 40 years
Building improvements	10 years
Furniture, fixtures and equipment	3 to 7 years

Vacation and sick time

Employees are granted vacation and sick time in varying amounts. Vacation leave has been accrued at June 30, 2018 in the amount of $99,337. Employees are not reimbursed for accumulated sick leave at termination; accordingly, it has not been accrued in these consolidated and combined financial statements.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as direct reduction from the face amount of the mortgage notes payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed rate on the related loan.

Net assets

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. A description of these net asset categories follows:

Unrestricted net assets - controlling - includes revenue and expenses associated with the principal mission of the Corporation and certain affiliates and are not subject to donor-imposed stipulations.

Unrestricted net assets - noncontrolling - represent the aggregate balance as of June 30, 2018 of limited partner/member equity interest in the non-wholly-owned limited partnerships and limited liability companies that are included in the consolidating and combining financial statements.

Temporarily restricted net assets - generally includes contributions for which donor or contractually imposed direct restrictions have not been met.

Permanently restricted net assets - includes gifts, trusts and pledges which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations. The Corporation, its subsidiaries and affiliates had no permanently restricted net assets at June 30, 2018.

Furthermore, information is required to segregate program service expenses from management and general expenses. Contributions received, if any, are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Grant and contribution revenue recognition
Contributions are recorded as unrestricted, temporarily restricted or permanently restricted when received depending on the existence and/or nature of any donor restrictions. Donated investments are recorded as contributions at their estimated fair value on the date of donation. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Revenue from cost reimbursement governmental grants is recognized as the expenditures for each grant are incurred. Revenue from fee for service programs is recognized when earned.

Revenue from contracts is recognized as earned when contract expenses are incurred to the maximum amount allowed for each contract award. Any payments received that have not been earned are classified as deferred revenue on the consolidated statement of financial position.

In-kind contributions
The Organization receives donated clothing and such amounts are reflected as in-kind contributions revenue and the clothing as program related costs in the accompanying consolidated and combined financial statements. During the year ended June 30, 2018, in-kind contributions of $116,500 were received and recorded as in-kind contribution income on the accompanying consolidated and combined statement of activities.

Rental income
Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Real Estate Entities and the tenants of the properties are operating leases.

Developer fee revenue recognition
PHI receives fees for project development services for the Real Estate Entities it organizes pursuant to fee agreements. The fees are generally earned over the development period based on a percentage of completion basis. Such fee agreements typically require PHI to provide guarantees as to project completion and payment of any development cost overruns and operating deficits for a period of time. PHI evaluates and estimates its projected exposure to additional costs under such guarantees and defers revenue recognition accordingly. Development fees that are deferred and payable from the respective property's cash flow have been eliminated through consolidation.

Functional allocation of expenses
The costs of providing various programs and activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Predevelopment advances
PHI incurs costs in connection with properties it is considering for development, costs associated with properties in the initial stages of development. These costs include such items as market studies, purchase options, environmental study costs, legal and accounting costs. Predevelopment expenses are capitalized until such time as the project is either discontinued, at which time the costs will be written off to operations, or the project receives independent funding sources, at which time the amounts will be repaid from the project's sources. During the year ended June 30, 2018, $462,106 of predevelopment advances were written off and recorded as an expense on the accompanying consolidated and combined statement of activities.

Advertising expense
Advertising costs are expensed as they are incurred.

Organization costs
Organization costs are expensed as they are incurred.

Income taxes
The Corporate Entities have applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as tax exempt entities pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the year ended June 30, 2018. Due to their tax-exempt status, the Corporate Entities are not subject to income taxes. The Corporate Entities are required to file and do file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Corporate Entities have no other tax positions which must be considered for disclosure. The Corporate Entities are no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years ended June 30, 2014 and prior.

The Managing Member Entities operate as corporations and are subject to income taxes. The Managing Member Entities account for income taxes in accordance with the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for temporary differences between financial statement and income tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. No taxable income was reported by the Managing Member Entities as of June 30, 2018, and no temporary differences between financial statement and income tax bases of assets or liabilities which are required to be reported existed at June 30, 2018. Accordingly, the consolidating and combining financial statements do not reflect a provision for income taxes or deferred tax assets or liabilities, and the Managing Member Entities have no other tax positions which must be considered for disclosure. The Managing Member Entities are no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2015.

The Real Estate Entities have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by the owners on their respective income tax returns. The Real Estate Entities' federal tax status as pass-through entities is based on their legal status as partnerships or limited liability companies. Accordingly, the Real Estate Entities are not required to take any tax positions in order to qualify as pass-through entities. The Real Estate Entities are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Real Estate Entities have no other tax positions which must be considered for disclosure. The Real Estate Entities are no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2015.

Note 3 - Accounts receivable

Accounts receivable balances as of June 30, 2018 are as follows:

Per-diem rentals - HASA	$ 87,134
Government contracts	
NYC Department of Social Services of the Human Resources Administration - HASA	1,521,487
U.S. Department. of Housing and Urban Development	2,992
NYC Department of Health	61,379
NYC Department of Homeless Services	
Other	253,655
Total government contracts	1,926,647
Less allowance for doubtful accounts	(262,113)
Total	$ 2,200,790

Note 4 - Fixed assets

Fixed assets consist of the following as of June 30, 2018:

Land	$ 4,205,894
Building and building improvements	40,829,308
Furniture, fixtures and equipment	2,152,113
	47,187,315
Less accumulated depreciation and amortization	(4,804,186)
	$ 42,383,129

Note 5 - Restricted cash

A summary of restricted cash as of June 30, 2018 for the Organization is as follows:

Replacement reserves	$ 113,104
Operating Reserves	224,053
Mortgage escrows	268,750
Debt service reserves	35,700
Construction escrows	240,925
	$ 882,532

Note 6 - Mortgages and loans payable

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates have outstanding mortgages and loans payable that are secured by various properties. The details of the mortgages and loans are as follows:

	Mortgage and Loan Detail	Outstanding Principal as of June 30, 2018
A.	In August 2010 purchased 694 Lincoln Place, Brooklyn, New York for $2,000,000. The purchase was financed with a $1,500,000 10-year mortgage from a bank at 5.7% interest rate per annum, requiring monthly payment of $16,488. The mortgage was refinanced in August 2012 for 7 years at 4.25% interest requires monthly payment of $16,004. The mortgage is collateralized by the underlying property.	$ 206,132
B.	Bank loan of $75,000 with no interest. Loan matures in July 2018 and requires annual payments of $25,000. As of June 30, 2018, the loan had been repaid in full.	-
C.	Construction loan bears interest at 7% per annum. The loan converted to a 15-year mortgage in December, 2014. Monthly payments of interest and principal are $9,168 to maturity. The loan is secured by the underlying real property.	871,433
D.	NYCHPD provided a mortgage loan of $8,125,000 for the construction of the building on White Plains Road. The loan bears interest at 1.30% per annum and matures in 50 years. There are no required payments under the mortgage agreement during the 50 year period to be "forgiven" on maturity, assuming all terms and the loan is expected conditions are met the by partnership. The loan is secured by the underling real property.	8,125,000
E.	In June 2015, Loring Place entered into a construction financing loan from Citibank in the maximum amount of $14,825,141. The loan initially matured on December 1, 2017 with extension options that extended the maturity to December 1, 2018 . The loan bears interest at approximately 3.86%. On November 13, 2018, the loan was repaid in full as part of the permanent conversion.	14,622,279

	Mortgage and Loan Detail	Outstanding Principal as of June 30, 2018
F.	In June 2015, Loring Place borrowed $1,000,000 for construction financing from Citibank. The loan is a subordinated loan, matures on June 1, 2070 and bears interest at 1%. Interest is due annually on June 1 of each year, but is deferred until the maturity of the senior mortgage loan on the project. Additionally, the interest rate cannot exceed 75% of the "residual receipts" when the project becomes operational.	1,000,000
G.	In June 2015, Loring Place received $8,763,434 from HPD to be used for construction. These funds are also part of the permanent financing for the project and will be forgiven at maturity, which is the 50-year anniversary of the beginning of operations, assuming all terms and conditions have been met.	8,763,431
H.	In June 2015, Loring Place borrowed $382,000 for construction financing from Citibank. The loan bears interest at 0.25% and is initially due on December 1, 2017. The maturity date will automatically be extended to the maturity extended date of the senior mortgage loan.	382,000
	Total mortgages payable	33,970,275
	Less unamortized closing costs	(539,634)
	Total	$ 33,430,641

During the year ended June 30, 2018, total interest costs incurred was $1,405,457, of which $284,383 was capitalized into building. Interest expense related to the mortgages and loans payable for the year ended June 30, 2018 was $1,121,074, including amortization of debt issuance costs of $159,214, was incurred.

Debt issuance costs, net of accumulated amortization, totaled $462,031 as of June 30, 2018 and are related to the Real Estate Entities' first mortgages and are amortized based on imputed interest rates of their corresponding debt.

The following are the maturities of the mortgages for the next five years and beyond:

June 30, 2019	$	171,761
2020		179,204
2021		186,971
2022		195,073
2023		203,527
Thereafter		33,033,739
Total mortgages payable		33,970,275
Less unamortized closing costs		(539,634)
	$	33,430,641

Note 7 - Temporarily restricted net assets

The changes in temporarily restricted net assets are as follows:

Beginning balance	$	213,463
Additions		-
Releases		-
Ending balance	$	213,463

Note 8 - Lease obligations

PHI has several lease agreements for office space. Rent expense and real estate taxes for real property amounted to approximately $6,439,415 for the year ended June 30, 2018. Rent expense for personal property amounted to $29,317 for the year ended June 30, 2018.

Approximate future minimum annual rentals payments are as follows:

Year ending June 30,		Total
2019	$	6,943,310
2020		5,691,278
2021		3,797,782
2022		2,731,316
2023		2,838,259
Thereafter		10,072,681
	$	32,074,626

Note 9 - Noncontrolling interest

The Corporation has controlling interest in two entities which are consolidated in the accompanying financial statements as required by GAAP. As of June 30, 2018, noncontrolling ownership interests are as follows:

Real Estate Entity	Percentage of ownership	Noncontrolling interest
Praxis White Plains Road LLC	99.99%	$ 7,721,681
Loring Place North L.P.	99.99%	(1,936,738)
		$ 5,784,943

Praxis White Plains Road LLC was expected to receive capital contributions totaling $9,816,883 from its investor member when certain milestones were achieved in accordance with the operating agreement. As of June 30, 2018, the investor member had funded capital contributions in full.

Loring Place North, L.P. is expected to receive capital contributions totaling $11,052,544 from its investor member when certain milestones were achieved in accordance with the operating agreement. As of June 30, 2018, the investor member had funded cumulative capital contributions of $250,000, and $10,802,544 remains due.

Note 10 - Construction contract

Loring Place North L.P. entered into a construction contract agreement with an unrelated party for services for the construction of the project. As of June 30, 2018, construction costs of $19,970,133 have been incurred and capitalized. As of June 30, 2018, the construction contract has been incurred and paid in full.

Note 11 - Employee benefit plan

PHI has a defined contribution salary deferral 403(b) plan ("the Plan") covering all eligible employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. PHI may make a discretionary contribution to the Plan. There were no contributions made by PHI to the Plan during 2018.

Note 12 - Related party transactions

Developer fee

PHI earns all of its developer fee income from affiliated entities. PHI has entered into contracts for various development services and developer fees with the Real Estate Entities. In accordance with GAAP, developer fees that are expected to be paid by investor equity are not eliminated in the consolidated and combined financial statements while developer fees that are expected to be paid by operational cash flow of the affiliates are eliminated in consolidation. During the year ended June 30, 2018, the amount earned from affiliates was $214,483, and is included in developer fee income on the consolidated and combined statement of activities.

Predevelopment advances

PHI paid predevelopment costs on behalf of new projects under construction which were anticipated to be reimbursed. As of June 30, 2018, PHI paid $488,187, of unreimbursed predevelopment advances. During the year ended June 30, 2018, management deemed these amounts to be uncollectible and recognized $462,106 of development expense.

Note 13 - Concentration of credit risk

The Organization maintains its cash balances in several accounts in various banks. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2018.

Note 14 - Real estate taxes

PHI is organized as a community housing development organization and meets the requirements of a charitable organization as provided in the 420-c Property Tax Code. On behalf of the Real Estate Entities, PHI and the Managing Member Entities have entered into tax abatement agreements with HPD under a tax incentive program, which provides for a tax exemption for low-income housing developed with tax credits. The tax abatements for Praxis White Plains Road, LLC and Loring Place North, L.P. expire on June 26, 2062 and June 19, 2075, respectively. No real estate tax expense was incurred for the year ended June 30, 2018 on either property.

Note 15 - Tenant assistance payments

Praxis White Plains Road LLC receives tenant subsidies from New York City Housing and Preservation Development under a housing assistance payment contract that expires June 25, 2027. The total subsidy revenue received during the year ended December 31, 2018 was $586,645.

Praxis White Plains Road LLC receives tenant assistance payments to provide services and other services from The New York City Department of Health and Mental Hygiene. The initial contract, which expired on June 30, 2016, included the option to renew for two periods of three years each. During 2017, the contract was extended through June 30, 2019 in accordance with the terms of the contract. The total subsidy earned during the year ended June 30, 2018 was $473,955, of which $381,437 was related to services and $92,518 was related to tenant assistance payments.

Praxis Housing Initiatives, Inc., has contracted with the New York City Department of Homeless Services on behalf of Praxis White Plains Road LLC in the total amount of $734,400, to provide services to the project. The contract is to provide reimbursement for certain allowable costs in accordance with the agreement and will expire on June 30, 2020. The total subsidy earned during the year ended June 30, 2018 was $108,259.

New York City Housing Authority ("NYCHA") has entered into a contract with the Loring Place North, L.P. pursuant to Section 8 of the Housing Act of 1937 to make housing assistance payments to the Partnership on behalf of qualified tenants. The agreement is for a contract covering 50 units. The contract has an initial 15-year term with an additional 15-year extension subject to NYCHA's approval and Congressional appropriations for the Section 8 program. For the year ended June 30, 2018, $472,525 of subsidy was received and included in rental income on the accompanying consolidated and combined statement of activities.

Note 16 - Commitments, contingencies and concentrations

Litigation
In the ordinary course of the Organization's business, the Organization may be involved in **various** lawsuits, claims and assessments. In the opinion of management, no provisions are required to be made in the accompanying consolidated and combined financial statements as a result of these lawsuits, claims and assessments.

Government Grants and Contracts
The Organization operates in a heavily regulated environment. The operations of much of the Organization are subject to the administrative directives, rules and regulations of Federal, State and local agencies, including, but not limited to, the State and City of New York. Such administrative directives, rules and regulations are subject to change by an act of officials of those agencies or an administrative change mandated by various agencies. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

The Organization has contracted with various funding agencies to perform certain services and receives revenue from the federal, state and local agencies. Reimbursements received under these contracts are subject to audit by the federal, state and local agencies as well as other agencies. Upon audit, if discrepancies are discovered, the Organization could be held responsible for reimbursing the agencies for the amounts in question. The industry is subject to voluminous and complex laws and regulations of federal, state and local agencies. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory **actions unknown or unasserted** at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws and false claims prohibitions.

Current vulnerability due to certain concentrations
The Organization's operations are concentrated in the multifamily real estate market in New York City. In addition, the Organization operates in a heavily regulated environment. The operations of the multifamily real estate projects managed by the Organization are subject to the administrative directives, rules and regulations of federal, state and local agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the IRS, state or local agencies. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with the change.

Low-income housing tax credits
The project's low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specific time period, could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require adjustment to the contributed capital by limited partners.

Development deficit guaranty
The Managing Member Entities agreed to fund any development deficits of their respective Real Estate Entities, as defined by their respective Operating Agreements. Any funding required during development may be repaid upon development sources being available for such payment.

Operating deficit guaranty

The Managing Member Entities of the respective Real Estate Entities has guaranteed to lend to the respective Real Estate Entity any amounts required to fund operating deficits incurred by the project during the operating deficit guaranty period as defined in the Partnership or Operating Agreement, up to a total amount of $1,402,089. As of June 30, 2018, there was no funding under this guaranty.

Tax credit recapture guaranty

The Managing Member Entities of the Real Estate Entities guarantee that they will reimburse the Investor Members for certain amounts if there is a "tax credit recapture event," as set forth in their respective Operating Agreements. As of the date of this report, no amounts have been funded under this guarantee.

Note 17 - Subsequent events

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through April 1, 2019 (the date the financial statements were available to be issued) and concluded that the only subsequent event to have occurred that would require recognition in the consolidated and combined financial statements or disclosure in the notes to the consolidated and combined financial statements is disclosed in note 6.

Supplementary Information

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Consolidating Statement of Financial Position
June 30, 2018

Assets

	Corporate Entities	Managing Member Entities	Real Estate Entities	Eliminating Entries	Total
Cash	$ 1,520,818	$ -	$ 600,643	$ -	$ 2,121,461
Accounts receivable, net	2,925,353	-	536,256	(1,260,819)	2,200,790
Investments in joint ventures	(327)	(327)	-	654	-
Developer fees receivable, net	1,388,550	-	-	(1,174,067)	214,483
Restricted cash	-	-	882,532	-	882,532
Prepaid expenses	48,497	-	9,000	-	57,497
Tax credit fees, net	-	-	68,919	-	68,919
Fixed assets, net	1,932,494	-	41,782,282	(1,331,647)	42,383,129
Security deposits receivable	146,228	-	-	-	146,228
Total assets	$ 7,961,613	$ (327)	$ 43,879,632	$ (3,765,879)	$ 48,075,039

Liabilities and Net Assets

	Corporate Entities	Managing Member Entities	Real Estate Entities	Eliminating Entries	Total
Liabilities					
Accounts payable and accrued expenses	$ 1,316,209	$ -	$ 174,087	$ -	$ 1,490,296
Accrued interest payable	-		1,273,739	-	1,273,739
Developer fees payable	-	-	2,056,638	(1,842,155)	214,483
Deferred rent payable	331,746	-	26,145	-	357,891
Due from affiliate	-	-	1,066,619	(1,066,619)	-
Mortgages and loans payable, net of unamortized debt issuance cost	206,132	-	33,418,709	(194,200.00)	33,430,641
Construction costs payable	-	-	1,476	-	1,476
Total liabilities	1,854,087	-	38,017,413	(3,102,974)	36,768,526
Net assets					
Controlling Net assets					
Unrestricted	5,894,063	(327)	77,276	(662,905)	5,308,107
Temporarily restricted	213,463	-	-	-	213,463
Total controlling net assets	6,107,526	(327)	77,276	(662,905)	5,521,570
Noncontrolling interest, unrestricted	-	-	5,784,943	-	5,784,943
Total net assets	6,107,526	(327)	5,862,219	(662,905)	11,306,513
Total liabilities and net assets	$ 7,961,613	$ (327)	$ 43,879,632	$ (3,765,879)	$ 48,075,039

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Consolidating Statement of Activities
Year End June 30, 2018

	Corporate Entities	Managing Member Entities	Real Estate Entities	Eliminating Entries	Total
Revenue and support					
Government grants	$ 16,968,778	$ -	$ -	$ -	$ 16,968,778
Rental income	405,992	-	2,023,474	-	2,429,466
Investment loss - rental property	(266)	(266)	-	532	-
Management/developer fee income	875,963	-	-	(661,480)	214,483
In-kind contributions	116,500	-	-	-	116,500
Interest income	4,710	-	-	-	4,710
Other	18,357	-	489,696	-	508,053
Total revenue and support	18,390,034	(266)		(660,948)	20,241,990
Expenses					
Program services					
Housing services	15,941,170	-	4,901,427	(223,261)	20,619,336
Supporting services					
Management and administration	1,790,605	-	179,673	-	1,970,278
Fund raising and development	138,034	-	-	-	138,034
Total supporting services	1,928,639	-	179,673	-	2,108,312
Total expenses	17,869,809	-	5,081,100	(223,261)	22,727,648
Change in net assets before noncontrolling interest	520,225	(266)	(2,567,930)	(437,687)	(2,485,658)
Change in net assets attributable to noncontrolling interest	-	-	(2,567,672)	-	(2,567,672)
Change in net assets attributable to controlling interest	$ 520,225	$ (266)	$ (258)	$ (437,687)	$ 82,014

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Schedule of Combining Statement of Financial Position - Corporate Entities
June 30, 2018

Assets

	Praxis Housing Initiatives, Inc.	Loring Place North HDFC	Total Combined Corporate
Cash	$ 1,520,818	$ -	$ 1,520,818
Accounts receivable, net	2,925,353	-	2,925,353
Investments in joint ventures	(327)	-	(327)
Developer fees receivable, net	1,388,550	-	1,388,550
Prepaid expenses	48,497	-	48,497
Fixed assets, net	1,932,494	-	1,932,494
Deposits and other	146,228	-	146,228
Total assets	$ 7,961,613	$ -	$ 7,961,613

Liabilities and Net Assets

	Praxis Housing Initiatives, Inc.	Loring Place North HDFC	Total Combined Corporate
Liabilities			
Accounts payable and accrued expenses	$ 1,316,209	$ -	$ 1,316,209
Deferred rent payable	331,746	-	331,746
Mortgages and loans payable, net of unamortized debt issuance cost	206,132	-	206,132
Total liabilities	1,854,087	-	1,854,087
Net assets			
Controlling Net assets			
Unrestricted	5,894,063	-	5,894,063
Temporarily restricted	213,463	-	213,463
Total controlling net assets	6,107,526	-	6,107,526
Noncontrolling interest, unrestricted	-	-	-
Total net assets	6,107,526	-	6,107,526
Total liabilities and net assets	$ 7,961,613	$ -	$ 7,961,613

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Schedule of Combining Statement of Activities - Corporate Entities
Year End June 30, 2018

	Praxis Housing Initiatives, Inc.	Loring Place North HDFC	Total Corporate Combined
Revenue and support			
Government grants	$ 16,968,778	$ -	$ 16,968,778
Rental income	405,992	-	405,992
Investment loss - rental property	(266)	-	(266)
Management/developer fee income	875,963	-	875,963
In-kind contributions	116,500	-	116,500
Interest income	4,710	-	4,710
Other	18,357	-	18,357
Total revenue and support	18,390,034	-	18,390,034
Expenses			
Program services			
Housing services	15,941,170	-	15,941,170
Supporting services			
Management and administration	1,790,605	-	1,790,605
Fund raising and development	138,034	-	138,034
Total supporting services	1,928,639	-	1,928,639
Change in net assets attributable to noncontrolling interest	-	-	-
Change in net assets attributable to controlling interest	$ 520,225	$ -	$ 520,225

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Schedule of Combining Statement of Financial Position - Managing Member Entities
June 30, 2018

	Praxis White Plains Road MM, Inc.	Loring Place North GP Inc.	Total Combined Managing Entities
Assets			
Investments in joint ventures	$ (108)	$ (219)	$ (327)
Total assets	$ (108)	$ (219)	$ (327)
Liabilities and Net Assets			
Liabilities			
Total liabilities	-	-	-
Net assets			
Controlling Net assets			
Unrestricted	(108)	(219)	(327)
Temporarily restricted	-	-	-
Total controlling net assets	(108)	(219)	(327)
Noncontrolling interest, unrestricted	-	-	-
Total net assets	(108)	(219)	(327)
Total liabilities and net assets	$ (108)	$ (219)	$ (327)

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Schedule of Combining Statement of Activities - Managing Member Entities
Year End June 30, 2018

	Praxis White Plains Road MM, Inc.	Loring Place North GP, Inc.	Total Combined Managing Member
Revenue and support			
Investment loss - rental property	$ (49)	$ (217)	$ (266)
Total revenue and support	(49)	(217)	(266)
Expenses			
Program services			
Housing services	-	-	-
Supporting services			
Management and administration	-	-	-
Fund raising and development	-	-	-
Total supporting services	-	-	-
Total expenses	-	-	-
Change in net assets before noncontrolling interest	(49)	(217)	(266)
Change in net assets attributable to noncontrolling interest	-	-	-
Change in net assets attributable to controlling interest	$ (49)	$ (217)	$ (266)

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Schedule of Combining Statement of Financial Position - Real Estate Entities
June 30, 2018

Assets

	Praxis White Plains Road, LLC	Loring Place North, L.P.	Total Combined Real Estate Entities
Cash	$ 262,915	$ 337,728	$ 600,643
Accounts receivable, net	233,951	302,305	536,256
Restricted cash	882,532	-	882,532
Prepaid expenses	-	9,000	9,000
Tax credit fees, net	63,539	5,380	68,919
Fixed assets, net	16,414,008	25,368,274	41,782,282
Total assets	$ 17,856,945	$ 26,022,687	$ 43,879,632
Total Department of Health and Human Services			
Accounts payable and accrued expenses	$ 83,685	$ 90,402	$ 174,087
Accrued interest payable	445,523	828,216	1,273,739
Developer fees payable	225,340	1,831,298	2,056,638
Deferred rent payable	-	26,145	26,145
Due from affiliate	597,191	469,428	1,066,619
Mortgages and loans payable, net of unamortized debt issuance cost	8,782,157	24,636,552	33,418,709
Construction costs payable	1,476	-	1,476
Total liabilities	10,135,372	27,882,041	38,017,413
Net assets			
Controlling Net assets			
Unrestricted	(108)	77,384	77,276
Temporarily restricted	-	-	-
Total controlling net assets	(108)	77,384	77,276
Noncontrolling interest, unrestricted	7,721,681	(1,936,738)	5,784,943
Total net assets	7,721,573	(1,859,354)	5,862,219
Total liabilities and net assets	$ 17,856,945	$ 26,022,687	$ 43,879,632

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates
Schedule of Combining Statement of Activities - Real Estate Entities
Year End June 30, 2018

	Praxis White Plains Road LLC	Loring Place North, L.P.	Total Real Estate Entities
Revenue and support			
Rental income	$ 841,176	$ 1,182,298	$ 2,023,474
Other	489,696	-	489,696
Total Department of Health and Human Services	1,330,872	1,182,298	2,513,170
Housing services	1,769,237	3,132,190	4,901,427
Supporting services			
Management and administration	43,573	136,100	179,673
Fund raising and development	-	-	-
Total supporting services	43,573	136,100	179,673
Total expenses	1,812,810	3,268,290	5,081,100
Change in net assets before noncontrolling interest	(481,938)	(2,085,992)	(2,567,930)
Change in net assets attributable to noncontrolling interest	(481,889)	(2,085,783)	(2,567,672)
Change in net assets attributable to controlling interest	$ (49)	$ (209)	$ (258)

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Pass-through grantor/ Program or Cluster title	Federal CFDA number	Pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Department of Housing and Urban Development				
Supportive Housing Program	14.235	NY0364L2T001609		$ 879,239
Total Supportive Housing Program				879,239
Housing Opportunities for Persons with AIDS				
Passed through NYC Dept. of Social Services Human Resource Administration	14.241	20111429581		851,639
Housing Opportunities for Persons with AIDS				
Passed through NYC Dept. of Health and Mental Hygiene	14.241	20141418407		365,167
Total Housing Opportunities for Persons				1,216,806
Total U.S. Department of Housing and Urban Development				2,096,045
Department of Health and Human Services				
Transitional Supportive Congregate Housing for Persons Living with AIDS				
Passed through NYC Dept. of Social Services Human Resource Administration	93.558	20111446834		29,399
Housing Opportunities for Persons with AIDS				
Passed through NYC Dept. of Social Services Human Resource Administration	93.558	20111429581		114,924
Total Department of Health and Human Services				144,323
Total Expenditures of Federal Awards				$ 2,240,368

See Notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Praxis Housing Initiatives, Inc. under programs federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Praxis Housing Initiatives, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Praxis Housing Initiatives, Inc.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 - Indirect cost rate

Praxis Housing Initiatives, Inc. has elected not to use the "10%" de minimis indirect cost rate as allowed under the Uniform Guidance.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Praxis Housing Initiatives, Inc. and Subsidiaries 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 consolidated and combined financial statements of Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated and combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 1, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated and combined financial statements, we considered Praxis Housing Initiatives, Inc.'s internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Praxis Housing Initiatives, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Praxis Housing Initiatives, Inc.'s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Praxis Housing Initiatives, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CohnReznick LLP

New York, New York
April 1, 2019

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Praxis Housing Initiatives, Inc.

Report on Compliance for Each Major Federal Program

We have audited Praxis Housing Initiatives, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Praxis Housing Initiatives, Inc. 's major federal programs for the year ended June 30, 2018. Praxis Housing Initiatives, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Praxis Housing Initiatives, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

CohnReznick LLP

New York, New York
April 1, 2019

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

A. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles:			Unmodified
Internal control over financial reporting:			
*Material weakness(es) identified?	______ Yes	X	No
*Significant deficiency(ies) identified?	______ Yes	X	None reported
Noncompliance material to financial statements noted?	______ Yes	X	No

Federal Awards

Internal control over major federal programs:			
*Material weakness(es) identified?	______ Yes	X	No
*Significant deficiency(ies) identified?	______ Yes	X	None reported
Type of auditor's report issued on compliance for major federal programs:			Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	______ Yes	X	No

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Identification of major federal programs:

CFDA Numbers(s)	Name of Federal Program or Cluster
14.235	Department of Housing and Urban Development Supportive Housing Program

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

Auditee qualified as low-risk auditee   X Yes   ____ No

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

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