# Praxis Housing Initiatives, Inc.
# and Subsidiaries and Affiliates

## Consolidated and Combined Financial Statements
## and Independent Auditor's Report

**June 30, 2020 and 2019**

CohnReznick
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**Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates**

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## 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 statements of financial position as of June 30, 2020 and 2019, and the related consolidated and combined statements of activities, changes in net assets, functional expenses and cash flows for the years 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 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 audit to obtain reasonable assurance about whether the consolidated and combined financial statements are free from material misstatement. The financial statements of Praxis White Plains Road, LLC, Loring Place North L.P., Praxis White Plains Road Managing Member, Inc., and Loring Place North GP, Inc. were not audited in accordance with *Government Auditing Standards*.

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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*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 consolidating and combining supplementary information on pages 28 to 34 is presented for purposes of additional analysis of the consolidated and combined financial statements rather than to present the financial position or changes in net assets of the individual entities and is not a required part of the consolidated and combined financial statements. 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 June 30, 2021, 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
June 30, 2021

**Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates**

**Consolidated and Combined Statements of Financial Position**
**June 30, 2020 and 2019**

Assets

| | 2020 | 2019 |
|---|---|---|
| Cash | $ 5,446,503 | $ 1,429,754 |
| Accounts receivable, net | 4,899,412 | 4,555,677 |
| Restricted deposits and funded reserves | 1,494,078 | 1,107,763 |
| Prepaid expenses | 140,528 | 124,472 |
| Tax credit fees, net | 82,013 | 87,792 |
| Fixed assets, net | 39,845,493 | 40,976,540 |
| Total assets | $ 51,908,027 | $ 48,281,998 |

Liabilities and Net Assets

| | 2020 | 2019 |
|---|---|---|
| Liabilities | | |
| Accounts payable and accrued expenses | $ 3,070,101 | $ 1,870,961 |
| Accrued interest payable | 2,073,386 | 1,655,501 |
| Developer fees payable | 2,302 | 2,302 |
| Deferred rent payable | 805,632 | 411,929 |
| Mortgages and loans payable, net of unamortized debt issuance costs | 25,430,550 | 23,757,802 |
| Total liabilities | 31,381,971 | 27,698,495 |
| Net assets | | |
| Net assets without donor restrictions, controlling | 6,969,391 | 5,922,855 |
| Net assets without donor restrictions, noncontrolling | 13,343,202 | 14,447,185 |
| Net assets with donor restrictions | 213,463 | 213,463 |
| Total net assets | 20,526,056 | 20,583,503 |
| Total liabilities and net assets | $ 51,908,027 | $ 48,281,998 |

See Notes to Consolidated and Combined Financial Statements.

## Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

### Consolidated and Combined Statements of Activities
### Years Ended June 30, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| Revenue and support | | |
| Government grants | $ 28,806,347 | $ 23,070,241 |
| Rental income | 3,818,072 | 3,549,121 |
| Interest income | 2,248 | 42,336 |
| Other | 297,893 | 136,422 |
| Total revenue and support | 32,924,560 | 26,798,120 |
| Expenses | | |
| Program services | | |
| Housing services (including interest expense of $771,938 and $953,197) | 30,664,354 | 25,804,028 |
| Supporting services | | |
| Management and general | 2,384,403 | 2,182,798 |
| Fundraising and development | 133,250 | 136,847 |
| Total supporting services | 2,517,653 | 2,319,645 |
| Total expenses | 33,182,007 | 28,123,673 |
| Change in net assets without donor restrictions | (257,447) | (1,325,553) |
| Change in net assets attributable to noncontrolling interest | (1,303,983) | (1,940,301) |
| Change in net assets attributable to controlling interest | $ 1,046,536 | $ 614,748 |

See Notes to Consolidated and Combined Financial Statements.

**Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates**

**Consolidated and Combined Statements of Changes in Net Assets**
**Years Ended June 30, 2020 and 2019**

| | Without donor restrictions | | With donor restrictions | Total net assets |
|---|---|---|---|---|
| | Controlling | Noncontrolling | Controlling | |
| Balance, June 30, 2018 | $ 5,308,107 | $ 5,784,943 | $ 213,463 | $ 11,306,513 |
| Contributions | - | 10,602,543 | - | 10,602,543 |
| Change in net assets | 614,748 | (1,940,301) | - | (1,325,553) |
| Balance, June 30, 2019 | 5,922,855 | 14,447,185 | 213,463 | 20,583,503 |
| Contributions | - | 200,000 | - | 200,000 |
| Change in net assets | 1,046,536 | (1,303,983) | - | (257,447) |
| Balance, June 30, 2020 | $ 6,969,391 | $ 13,343,202 | $ 213,463 | $ 20,526,056 |

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, 2020**

| | Program services | Supporting services | | | Total program and supporting services |
|---|---|---|---|---|---|
| | Housing services | Management and general | Fundraising and development | Total supporting services | |
| Salaries | $ 7,715,370 | $ 679,079 | $ 57,000 | $ 736,079 | $ 8,451,449 |
| Payroll taxes and benefits | 1,618,380 | 142,013 | 11,920 | 153,933 | 1,772,313 |
| Total personnel costs | 9,333,750 | 821,092 | 68,920 | 890,012 | 10,223,762 |
| Professional fees | - | 264,081 | - | 264,081 | 264,081 |
| Occupancy costs | 14,577,787 | 201,106 | 22,345 | 223,451 | 14,801,238 |
| Insurance | 737,101 | 63,588 | 7,065 | 70,653 | 807,754 |
| Office supplies | 1,378,574 | 55,649 | 5,388 | 61,037 | 1,439,611 |
| Maintenance, repairs and equipment rental | 906,515 | 25,378 | 1,994 | 27,372 | 933,887 |
| Travel | - | 1,247 | 139 | 1,386 | 1,386 |
| Interest expenses | 771,938 | - | - | - | 771,938 |
| Other | 1,544,956 | 935,211 | 25,505 | 960,716 | 2,505,672 |
| Depreciation and amortization | 1,413,733 | 17,051 | 1,894 | 18,945 | 1,432,678 |
| Total expenses | $ 30,664,354 | $ 2,384,403 | $ 133,250 | $ 2,517,653 | $ 33,182,007 |

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, 2019**

| | Program services | Supporting services | | | |
|---|---|---|---|---|---|
| | Housing services | Management and general | Fundraising and development | Total supporting services | Total program and supporting services |
| Salaries | $ 5,852,875 | $ 679,079 | $ 57,000 | $ 736,079 | $ 6,588,954 |
| Payroll taxes and benefits | 1,342,851 | 143,736 | 12,065 | 155,801 | 1,498,652 |
| Total personnel costs | 7,195,726 | 822,815 | 69,065 | 891,880 | 8,087,606 |
| Professional fees | 35,450 | 268,725 | 5,450 | 274,175 | 309,625 |
| Client clothing and program supplies | 253,834 | - | - | - | 253,834 |
| Occupancy costs | 11,581,789 | 208,084 | 23,120 | 231,204 | 11,812,993 |
| Insurance | 592,865 | 56,947 | 6,327 | 63,274 | 656,139 |
| Office supplies | 952,604 | 83,453 | 8,613 | 92,066 | 1,044,670 |
| Maintenance, repairs and equipment rental | 858,908 | 28,833 | 1,455 | 30,288 | 889,196 |
| Travel | 137,211 | 3,772 | 420 | 4,192 | 141,403 |
| Interest expenses | 953,197 | - | - | - | 953,197 |
| Other | 1,679,538 | 684,244 | 19,516 | 703,760 | 2,383,298 |
| Depreciation and amortization | 1,562,906 | 25,925 | 2,881 | 28,806 | 1,591,712 |
| Total expenses | $ 25,804,028 | $ 2,182,798 | $ 136,847 | $ 2,319,645 | $ 28,123,673 |

See Notes to Consolidated and Combined Financial Statements.

## Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

## Consolidated and Combined Statements of Cash Flows
## Years Ended June 30, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| Cash flows from operating activities | | |
| Change in net assets | $ (257,447) | $ (1,325,553) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 1,432,678 | 1,591,712 |
| Amortization of debt issuance costs | 48,599 | 52,703 |
| Changes in accounts receivable | (343,735) | (2,354,887) |
| Changes in prepaid expenses | (16,056) | (66,975) |
| Changes in accounts and accrued expenses payable | 1,199,140 | 380,665 |
| Changes in accrued interest expense | 417,885 | 381,762 |
| Changes in deferred rent payable | 393,703 | 54,038 |
| Net cash provided by (used in) operating activities | 2,874,767 | (1,072,052) |
| Cash flows from investing activities | | |
| Purchase of fixed assets | (295,852) | (443,607) |
| Net change in restricted deposits and funded reserves | (386,315) | (79,003) |
| Net cash used in investing activities | (682,167) | (547,883) |
| Cash flows from financing activities | | |
| Contributions by partners | 200,000 | 10,602,543 |
| Repayments of mortgages payable | (155,198) | (9,672,839) |
| Proceeds from line of credit | 750,000 | - |
| Proceeds from Paycheck Protection Program federal loan | 1,029,347 | - |
| Net cash provided by financing activities | 1,824,149 | 928,228 |
| Net increase (decrease) in cash and restricted cash | 4,016,749 | (691,707) |
| Cash and restricted cash, beginning of year | 1,429,754 | 2,121,461 |
| Cash and restricted cash, end of year | $ 5,446,503 | $ 1,429,754 |
| Supplemental disclosure of cash flow information | | |
| Cash paid during the year for interest | $ 305,454 | $ 599,282 |

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 interest in Praxis White Plains Road, LLC |
| Loring Place North GP, Inc. | New York | August 13, 2014 | .01% controlling interest 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"). LPN HDFC has no activity for the years ended June 30, 2020 and 2019.

**Principles of consolidation and combination**
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, 2020 and 2019, 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 and combined 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.

**Basis of presentation**
The Organization presents its financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions* - controlling - represent expendable resources that are used to carry out the operations of the Organization and are not subject to donor-imposed stipulations.

*Net assets without donor restrictions* - noncontrolling - represent the aggregate balance as of June 30, 2020 and 2019 of limited partner equity interest in the non-wholly owned tax credit holding entity that is included in the consolidated and combined financial statements.

*Net assets with donor restrictions* - generally, net assets subject to donor imposed restrictions. Since donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

As of June 30, 2020, the Corporation has net assets with donor restrictions of $213,463.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**Accounts receivable, net**

Accounts receivable 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, 2020 and 2019, allowance for doubtful accounts was $642,040 and $454,454, respectively.

**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 years ended June 30, 2020 and 2019 was $5,799 and $5,380, respectively. Annual amortization expense relating to tax credits for each of the next five years through June 30, 2025 is estimated to be $6,353 each year.

**Fixed assets**

Building and building improvements, furniture, fixtures and equipment, less accumulated depreciation or amortization are 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 |

**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 years ended June 30, 2020 and 2019.

**Vacation and sick time**

Employees are granted vacation and sick time in varying amounts. Vacation leave has been accrued at June 30, 2020 and 2019 in the amount of $157,133 and $127,234, respectively. 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.

**Grant and contribution revenue recognition**
Revenue from grants and contracts with resource providers such as the government and its agencies, other organizations and private foundations are accounted for either as exchange transactions or as contributions. When the resource provider receives commensurate value in return for the resources transferred to the Organization, the revenue from the grant or contract is accounted for as an exchange transaction in accordance with ASU 2014-09. For purposes of determining whether a transfer of asset is a contribution or an exchange, the Organization deems that the resource provider is not synonymous with the general public, i.e., indirect benefit received by the public as a result of the assets transferred is not deemed equivalent to commensurate value received by the resource provider. Moreover, the execution of a resource provider's mission or the positive sentiment from acting as a donor is not deemed to constitute commensurate value received by a resource provider. Revenue from grants and contracts that are accounted for as exchange transactions is recognized when performance obligations have been satisfied. Grants and contracts awarded for the acquisition of long-lived assets are reported as nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as deferred revenue.

**Contributions and contributions receivable**
Transactions where the resource provider often receive value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as deferred revenue.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received. Conditional and unconditional contributions are recorded as either with donor restrictions or without donor restrictions. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contributions without donor restrictions.

**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 Organization reports its expenses on a functional basis. The Organization's program services are all related to one program, which is providing affordable housing to low-income individuals; therefore, all expenses reported in the consolidated and combined financial statements are related to the affordable housing program. Costs common to multiple functions have been allocated based on time and effort measurements. Management and general expenses include costs not identifiable with any specific program, but which provide for the overall support and direction of the Organization.

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

**Advertising expense**
Advertising 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, 2020 and 2019. 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, 2017 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, 2020 and 2019, 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, 2020 and 2019. 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 2017.

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 2017.

**Changes in accounting principles**

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash* ("ASU 2016-18"), to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended June 30, 2020. Consequently, ending cash and restricted cash as of June 30, 2019 and 2018 was unchanged.

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). Effective June 30, 2020, the Organization adopted ASU 2014-09 on a retrospective basis. The modifications under ASU 2014-09 were applied to all of the Organization's contracts with customers. No practical expedients were applied. A portion of the Organization's revenue is derived from leases with tenants of the property generally for terms of one year or less, which are accounted for in accordance with *Leases (Topic 840)*. Therefore, adoption of ASU 2014-09 had no impact on the recognition of rental revenue of the property during the period presented or on the opening balance of net assets as of June 30, 2019. The Organization's other revenue sources include state grants, management fee income and include administrative agent services. These revenues are recognized either pro ratably or as each service is completed and performance obligations are satisfied, depending on the contract terms and nature of the services. Therefore, the adoption of ASU 2014-09 has minimal impact on the recognition of these revenues during the period presented or on the opening balance of net assets as of June 30, 2019.

The Organization has adopted Accounting Standards Update No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The adoption of ASU 2018-08 has not had significant impact on the recognition of Contributions Received and Contributions Made during the periods presented or on the opening balance of net assets as of June 30, 2018.

## Note 3 - Liquidity and availability

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As of June 30, 2020 and 2019, the Organization's liquidity resources and financial assets available within one year for general expenditure, such as operating expenses, were as follows:

| | 2020 | 2019 |
|---|---|---|
| Financial assets at fiscal year-end | | |
| Cash and cash equivalents | $ 5,446,503 | $ 1,429,754 |
| Accounts receivable | 4,899,412 | 4,555,677 |
| Financial assets available to meet general expenditures over the next 12 months | $ 10,345,915 | $ 5,985,431 |

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget to anticipate collecting sufficient revenue to cover general expenditures. Only amounts related to restricted deposits and funded reserves anticipated to be used more than one year after the consolidated and combined statement of financial position date have been excluded from the above amounts.

## Note 4 - Accounts receivable

Accounts receivable balances as of June 30, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|---|---|---|
| Government contracts | | |
| NYC Department of Social Services of the Human Resources Administration - HASA | $ 3,453,219 | $ 2,506,462 |
| U.S. Department of Housing and Urban Development | - | 800 |
| NYC Department of Health | 1,217,344 | - |
| Other | 870,889 | 2,502,869 |
| Total government contracts | 5,541,452 | 5,010,131 |
| Less allowance for doubtful accounts | (642,040) | (454,454) |
| Total | $ 4,899,412 | $ 4,555,677 |

## Note 5 - Fixed assets

Fixed assets consist of the following as of June 30, 2020 and 2019:

| | 2020 | 2019 |
|---|---|---|
| Land | $ 4,205,894 | $ 4,205,894 |
| Building and building improvements | 40,829,777 | 40,695,785 |
| Furniture, fixtures and equipment | 2,593,704 | 2,431,844 |
| | 47,629,375 | 47,333,523 |
| Less accumulated depreciation and amortization | (7,783,882) | (6,356,983) |
| | $ 39,845,493 | $ 40,976,540 |

## Note 6 - Restricted deposits and funded reserves

A summary of restricted cash as of June 30, 2020 and 2019 for the Organization is as follows:

| | 2020 | 2019 |
|---|---|---|
| Replacement reserves | $ 169,729 | $ 137,979 |
| Operating reserves | 916,329 | 709,477 |
| Mortgage escrows | 372,320 | 224,607 |
| Debt service reserves | 35,700 | 35,700 |
| | $ 1,494,078 | $ 1,107,763 |

## Note 7 - 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, 2020 | Outstanding principal as of June 30, 2019 |
|---|---|---|
| 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 payments of $16,488. The mortgage was refinanced in August 2012 for 7 years at 4.25% interest requires monthly payments of $16,004. The mortgage is collateralized by the underlying property. | $ - | $ 19,314 |

| Mortgage and loan detail | Outstanding principal as of June 30, 2020 | Outstanding principal as of June 30, 2019 |
|---|---|---|
| B. In response to the coronavirus ("COVID-19") outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program ("PPP") to provide small business loans. On April 20, 2020, the Organization received loan proceeds in the amount of $1,029,347 under the Paycheck Protection Program ("PPP"). The loans and accrued interest are eligible for forgiveness as long as the borrower uses the loan proceeds for eligible purposes in accordance with the PPP. The loan bears interest at 1%. Payments of interest-only are due through maturity or loan forgiveness. April 20, 2022, the maturity date. The loan is unsecured. As of June 30, 2020, the outstanding principal is $1,029,347. | 1,029,347 | - |
| 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. | 766,534 | 820,813 |
| 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 on November 25, 2064. There are no required payments under the mortgage agreement and the loan will be "forgiven" at 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 | 8,125,000 |

| Mortgage and loan detail | Outstanding principal as of June 30, 2020 | Outstanding principal as of June 30, 2019 |
|---|---|---|
| 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%. Upon permanent conversion, the Partnership is required to paydown the principal balance on the loan in the amount of $9,651,598. On November 14, 2018, the loan converted to permanent financing. The permanent loan bears interest at a fixed rate of 4.76% and requires monthly payments of principal and interest of $27,019 beginning January 1, 2019. | 5,052,567 | 5,134,172 |
| 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 | 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 date of November 14, 2073, which is the 50-year anniversary of the beginning of operations, assuming all terms and conditions have been met. | 8,763,434 | 8,763,434 |
| 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 | 382,000 |

| Mortgage and loan detail | Outstanding principal as of June 30, 2020 | Outstanding principal as of June 30, 2019 |
|---|---|---|
| I. In 2020 the Company entered into a line of credit in the aggregate amount of $1,000,000. The outstanding balance bears interest at 6.17%. Interest payments are due monthly through August 17, 2020, the maturity date. | 750,000 | - |
| Total mortgages payable | 25,868,882 | 24,244,733 |
| Less unamortized closing costs | (438,332) | (486,931) |
| Total | $ 25,430,550 | $ 23,757,802 |

During the years ended June 30, 2020 and 2019, total interest costs incurred were $771,938 and $953,197, respectively, inclusive of amortization of debt issuance cost of $48,599 and $52,703, respectively.

Debt issuance costs, net of accumulated amortization, totaled $438,332 and $486,931, respectively, as of June 30, 2020 and 2019 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, 2021 | $ 893,778 |
| 2022 | 1,181,496 |
| 2023 | 161,027 |
| 2024 | 170,443 |
| 2025 | 180,431 |
| Thereafter | 23,281,707 |
| Total mortgages payable | 25,868,882 |
| Less unamortized debt issuance costs | (438,332) |
| Balance, net | $ 25,430,550 |

## Note 8 - Net assets with donor restrictions

The changes in net assets with donor restrictions are as follows:

| | 2020 | 2019 |
|---|---|---|
| Beginning balance | $ 213,463 | $ 213,463 |
| Additions | - | - |
| Releases | - | - |
| Ending balance | $ 213,463 | $ 213,463 |

## Note 9 - Lease obligations

PHI has several lease agreements for office space and apartments. Rent expense and real estate taxes for real property amounted to approximately $13,012,156 and $10,814,356 for the years ended June 30, 2020 and 2019, respectively. Rent expense for personal property amounted to $74,563 and $61,213 for the years ended June 30, 2020 and 2019, respectively.

Approximate future minimum annual rental payments are as follows:

| Year ending June 30, | Total |
|---|---|
| June 30, 2021 | $ 6,688,582 |
| 2022 | 5,665,478 |
| 2023 | 5,815,783 |
| 2024 | 4,383,572 |
| 2025 | 5,020,949 |
| Thereafter | 7,889,890 |
| | $ 35,464,254 |

## Note 10 - 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, 2020 and 2019, noncontrolling ownership interests are as follows:

| Real Estate Entity | Percentage of ownership | Noncontrolling interest as of June 30, 2020 | Noncontrolling interest as of June 30, 2019 |
|---|---|---|---|
| Praxis White Plains Road LLC | 99.99% | $ 6,634,440 | $ 7,192,037 |
| Loring Place North L.P. | 99.99% | 6,708,762 | 7,255,148 |
| | | $ 13,343,202 | $ 14,447,185 |

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, 2020 and 2019, the investor member had funded capital contributions in full.

Loring Place North, L.P. was 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, 2020 and 2019, the investor member had funded cumulative capital contributions of $11,052,544 and $10,852,544, respectively. As of June 30, 2020 and 2019, capital contributions of $0 and $200,000, respectively, were receivable from the investor member.

## 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 2020 and 2019.

## 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.

**Management fees**
PHI earns fees for the management of the Real Estate Entities. Management fees earned are expensed as incurred at the Real Estate Entity level and are paid from operations. All amounts are eliminated in consolidation.

## 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, 2020.

## 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 years ended June 30, 2020 and 2019 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 years ended June 30, 2020 and 2019 was $591,434 and $593,149, respectively.

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 2019, the contract was extended through June 30, 2022 in accordance with the terms of the contract. The total subsidy earned during the year ended June 30, 2020 was $645,982, of which $536,863 was related to services and $109,120 was related to tenant assistance payments. The total subsidy earned during the year ended June 30, 2019 was $522,602, of which $424,879 was related to services and $97,723 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 was scheduled to expire on June 30, 2020. During 2020, the contract was extended through June 30, 2021. The total subsidy earned during the years ended June 30, 2020 and 2019 was $135,720 and $114,182, respectively.

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 years ended June 30, 2020 and 2019, $664,741 and $733,788, respectively, of subsidy was received and included in rental income on the accompanying consolidated and combined statements 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.

### Coronavirus

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of program revenue and other material adverse effects to the Organization's financial position, results of operations, and cash flows. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Organization's operations continue for an extended period of time the Organization may have to seek alternative measures to finance its operations. There is no assurance these measures will be successful. The financial statements do not include any adjustments that might result if the Organization is unable to continue as a going concern.

The Corporation has positioned itself to minimize the future financial impact of COVID-19 related scenarios. As of the report date, the Corporation has obtained additional COVID financing for its programs and have modified staffing and expenditures to meet the changing needs of constituents due to the pandemic. Through such endeavors, management has been able to realign resources to provide much needed cash assistance to impacted families in the community. Management will continue to assess the needs of our community and utilize best health and safety practices to meet those needs, while making fiscally responsible decisions that allows the Corporation to continue to operate effectively.

**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.

**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, 2020 and 2019, 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 guaranty.

## Note 17 - Subsequent events

Events that occur after the consolidated and combined statement of financial position date but before the consolidated and combined 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 consolidated and combined statement of financial position date are recognized in the accompanying consolidated and combined financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated and combined statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Corporation through June 30, 2021 (the date the consolidated and combined financial statements were available to be issued) and concluded that no subsequent events 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.

# Supplementary Information

# Consolidating Schedules

## Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

## Consolidating Statement of Financial Position
## June 30, 2020

Assets

| | Praxis Housing Initiatives, Inc. | Managing Member Entities | Real Estate Entities | Eliminating Entries | Total |
|---|---|---|---|---|---|
| Cash | $ 4,828,217 | $ - | $ 618,286 | $ - | $ 5,446,503 |
| Accounts receivable, net | 5,077,299 | - | 284,089 | (461,976) | 4,899,412 |
| Investments in joint ventures | (652) | (652) | - | 1,304 | - |
| Developer fees receivable, net | 1,030,604 | - | - | (1,030,604) | - |
| Restricted deposits and funded reserves | - | - | 1,494,078 | - | 1,494,078 |
| Prepaid expenses | 140,528 | - | - | - | 140,528 |
| Tax credit fees, net | - | - | 82,013 | - | 82,013 |
| Fixed assets, net | 2,017,699 | - | 39,159,441 | (1,331,647) | 39,845,493 |
| Total assets | $ 13,093,695 | $ (652) | $ 41,637,907 | $ (2,822,923) | $ 51,908,027 |
| **Liabilities and Net Assets** | | | | | |
| Liabilities | | | | | |
| Accounts payable and accrued expenses | $ 2,738,820 | $ - | $ 331,281 | $ - | $ 3,070,101 |
| Accrued interest payable | - | | 2,073,386 | - | 2,073,386 |
| Developer fees payable | - | - | 1,616,657 | (1,614,355) | 2,302 |
| Deferred rent payable | 722,380 | - | 83,252 | - | 805,632 |
| Due from affiliate | - | - | 461,976 | (461,976) | - |
| Mortgages and loans payable, net of unamortized debt issuance costs | 1,779,347 | - | 23,651,203 | - | 25,430,550 |
| Total liabilities | 5,240,547 | - | 28,217,755 | (2,076,331) | 31,381,971 |
| Net assets | | | | | |
| Net assets without donor restrictions, controlling | 7,639,685 | (652) | 76,950 | (746,592) | 6,969,391 |
| Net assets without donor restrictions, noncontrolling | - | - | 13,343,202 | - | 13,343,202 |
| Net assets with donor restrictions | 213,463 | - | - | - | 213,463 |
| Total net assets | 7,853,148 | (652) | 13,420,152 | (746,592) | 20,526,056 |
| Total liabilities and net assets | $ 13,093,695 | $ (652) | $ 41,637,907 | $ (2,822,923) | $ 51,908,027 |

See Independent Auditor's Report.

# Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

## Consolidating Statement of Activities
## Year Ended June 30, 2020

| | Praxis Housing Initiatives, Inc. | Managing Member Entities | Real Estate Entities | Eliminating Entries | Total |
|---|---|---|---|---|---|
| Revenue and support | | | | | |
| Government grants | $ 28,806,347 | $ - | $ - | $ - | $ 28,806,347 |
| Rental income | 418,898 | - | 3,399,174 | - | 3,818,072 |
| Investment loss - rental property | (131) | (131) | - | 262 | - |
| Management/developer fee income | 300,066 | - | - | (300,066) | - |
| Interest income | 44,448 | - | 633 | (42,833) | 2,248 |
| Other | 28,650 | - | 269,243 | - | 297,893 |
| Total revenue and support | 29,598,278 | (131) | 3,669,050 | (342,637) | 32,924,560 |
| Expenses | | | | | |
| Program services | | | | | |
| Housing services | 27,074,299 | - | 3,890,119 | (300,064) | 30,664,354 |
| Supporting services | | | | | |
| Management and administration | 1,301,358 | - | 1,083,045 | - | 2,384,403 |
| Fundraising and development | 133,250 | - | - | - | 133,250 |
| Total supporting services | 1,434,608 | - | 1,083,045 | - | 2,517,653 |
| Total expenses | 28,508,907 | - | 4,973,164 | (300,064) | 33,182,007 |
| Change in net assets without donor restrictions | 1,089,371 | (131) | (1,304,114) | (42,573) | (257,447) |
| Change in net assets attributable to noncontrolling interest | - | - | (1,303,983) | - | (1,303,983) |
| Change in net assets attributable to controlling interest | $ 1,089,371 | $ (131) | $ (131) | $ (42,573) | $ 1,046,536 |

See Independent Auditor's Report.

# Combining Schedules

## Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

## Schedule of Combining Statement of Financial Position - Managing Member Entities
## June 30, 2020

| | Praxis White Plains Road MM, Inc. | Loring Place North GP Inc. | Total Combined Managing Member |
|---|---|---|---|
| **Assets** | | | |
| Investments in joint ventures | $ (217) | $ (435) | $ (652) |
| Total assets | $ (217) | $ (435) | $ (652) |
| **Liabilities and Net Assets** | | | |
| Liabilities | $ - | $ - | $ - |
| Total liabilities | - | - | - |
| Net assets | | | |
| Net assets without donor restrictions, controlling | (217) | (435) | (652) |
| Net assets without donor restrictions, noncontrolling | - | - | - |
| Net assets with donor restrictions | - | - | - |
| Total net assets | (217) | (435) | (652) |
| Total liabilities and net assets | $ (217) | $ (435) | $ (652) |

See Independent Auditor's Report.

**Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates**

**Schedule of Combining Statement of Activities - Managing Member Entities**
**Year Ended June 30, 2020**

| | Praxis White Plains Road MM, Inc. | Loring Place North GP, Inc. | Total Combined Managing Member |
|---|---|---|---|
| Revenue and support | | | |
| Investment loss - rental property | $ (56) | $ (75) | $ (131) |
| Total revenue and support | (56) | (75) | (131) |
| Expenses | | | |
| Program services | | | |
| Housing services | - | - | - |
| Supporting services | | | |
| Management and administration | - | - | - |
| Fundraising and development | - | - | - |
| Total supporting services | - | - | - |
| Total expenses | - | - | - |
| Change in net assets without donor restrictions | (56) | (75) | (131) |
| Change in net assets attributable to noncontrolling interest | - | - | - |
| Change in net assets attributable to controlling interest | $ (56) | $ (75) | $ (131) |

See Independent Auditor's Report.

**Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates**

**Schedule of Combining Statement of Financial Position - Real Estate Entities**
**June 30, 2020**

| | Praxis White Plains Road, LLC | Loring Place North, L.P. | Total Combined Real Estate Entities |
|---|---|---|---|
| Cash | $ 88,937 | $ 529,349 | $ 618,286 |
| Accounts receivable, net | 144,545 | 139,544 | 284,089 |
| Restricted deposits and funded reserves | 884,334 | 609,744 | 1,494,078 |
| Tax credit fees, net | 51,899 | 30,114 | 82,013 |
| Fixed assets, net | 15,535,421 | 23,624,020 | 39,159,441 |
| Total assets | $ 16,705,136 | $ 24,932,771 | $ 41,637,907 |

Liabilities and Net Assets

| | Praxis White Plains Road, LLC | Loring Place North, L.P. | Total Combined Real Estate Entities |
|---|---|---|---|
| Liabilities | | | |
| Accounts payable and accrued expenses | $ 185,839 | $ 145,442 | $ 331,281 |
| Accrued interest payable | 656,450 | 1,416,936 | 2,073,386 |
| Developer fees payable | 227,642 | 1,389,015 | 1,616,657 |
| Deferred rent payable | - | 83,252 | 83,252 |
| Due from affiliate | 314,388 | 147,588 | 461,976 |
| Mortgages and loans payable, net of unamortized debt issuance costs | 8,686,594 | 14,964,609 | 23,651,203 |
| Total liabilities | 10,070,913 | 18,146,842 | 28,217,755 |
| Net assets | | | |
| Net assets without donor restrictions, controlling | (217) | 77,167 | 76,950 |
| Net assets without donor restrictions, noncontrolling | 6,634,440 | 6,708,762 | 13,343,202 |
| Total net assets | 6,634,223 | 6,785,929 | 13,420,152 |
| Total liabilities and net assets | $ 16,705,136 | $ 24,932,771 | $ 41,637,907 |

See Independent Auditor's Report.

**Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates**

**Schedule of Combining Statement of Activities - Real Estate Entities**
**Year Ended June 30, 2020**

| | Praxis White Plains Road LLC | Loring Place North, L.P. | Total Real Estate Entities |
|---|---|---|---|
| Revenue and support | | | |
| Rental income | $ 1,385,438 | $ 2,013,736 | $ 3,399,174 |
| Interest income | 633 | | 633 |
| Other | 135,720 | 133,523 | 269,243 |
| Total revenue and support | 1,521,791 | 2,147,259 | 3,669,050 |
| Expenses | | | |
| Program services | | | |
| Housing services | 1,966,900 | 1,923,219 | 3,890,119 |
| Supporting services | | | |
| Management and administration | 112,544 | 970,501 | 1,083,045 |
| Fundraising and development | - | - | - |
| Total supporting services | 112,544 | 970,501 | 1,083,045 |
| Total expenses | 2,079,444 | 2,893,720 | 4,973,164 |
| Change in net assets without donor restrictions | (557,653) | (746,461) | (1,304,114) |
| Change in net assets attributable to noncontrolling interest | (557,597) | (746,386) | (1,303,983) |
| Change in net assets attributable to controlling interest | $ (56) | $ (75) | $ (131) |
| Net assets, beginning | $ 7,191,876 | $ 7,332,390 | $ 14,524,266 |
| Change in net assets | (557,653) | (746,461) | (1,304,114) |
| Contributions | - | 200,000 | 200,000 |
| Net assets, ending | $ 6,634,223 | $ 6,785,929 | $ 13,420,152 |

See Independent Auditor's Report.

## Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

### Schedule of Expenditures of Federal Awards
### Year Ended June 30, 2020

| 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 | NY0364L2T001811 | | $ 957,474 |
| Total Supportive Housing Program | | | | 957,474 |
| Housing Opportunities for Persons with AIDS | | | | |
| Passed through NYC Dept. of Social Services Human Resource Administration | 14.241 | 20181404114 | | 1,007,216 |
| Passed through NYC Dept. of Social Services Human Resource Administration | 14.241 | 20200002169 | | 398,443 |
| Housing Opportunities for Persons with AIDS | | | | |
| Passed through NYC Dept. of Health and Mental Hygiene | 14.241 | 14A-SPH-009 | | 380,952 |
| Total Housing Opportunities for Persons with AIDS | | | | 1,786,611 |
| Total U.S. Department of Housing and Urban Development | | | | 2,744,085 |
| TANF - Department of Health and Human Services | | | | |
| Temporary Assistance for Needy Families | | | | |
| Passed through NYC Dept. of Social Services Human Resource Administration | 93.558 | 20200000086 | | 11,770 |
| Temporary Assistance for Needy Families | | | | |
| Passed through NYC Dept. of Social Services Human Resource Administration | 93.558 | 20181404114 | | 118,039 |
| Passed through NYC Dept. of Social Services Human Resource Administration | 93.558 | 20200002169 | | 51,369 |
| Passed through NYC Dept. of Homeless Services | 93.558 | 20181408656 | | 2,664,205 |
| Total TANF - Department of Health and Human Services | | | | 2,845,383 |
| Total Expenditures of Federal Awards | | | | $ 5,589,468 |

See Notes to Schedule of Expenditures of Federal Awards.

**Notes to Schedule of Expenditures of Federal Awards**
**June 30, 2020**

## 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 of the federal government for the year ended June 30, 2020. 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 and combined statement of financial position as of June 30, 2020, 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 and combined financial statements, and have issued our report thereon dated June 30, 2021. The financial statements of Praxis White Plains Road, LLC, Loring Place North L.P., Praxis White Plains Road Managing Member, Inc., and Loring Place North GP, Inc. 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 reportable noncompliance associated with these entities.

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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated and combined 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 and combined 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 and combined 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 consolidated and combined 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 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
June 30, 2021

# 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. and Subsidiaries and Affiliates

## 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, 2020. 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, 2020.

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
June 30, 2021

**Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates**

**Schedule of Findings and Questioned Costs**
**June 30, 2020**

## 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 |

Identification of major federal programs:

| CFDA Numbers(s) | Name of Federal Program or Cluster |
|---|---|
| 14.241 | Department of Housing and Urban Development<br>Housing Opportunities for Persons with AIDS Program |

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

| | | | | |
|---|---|---|---|---|
| Auditee qualified as low-risk auditee | X | Yes | | No |

## Schedule of Findings and Questioned Costs
## June 30, 2020

### B. Findings - Financial Statements Audit

None

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

None

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