

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

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

June 30, 2019 and 2018

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.

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, 2019 and 2018, 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.

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, 2019 and 2018, 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 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 August 10, 2020, 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.



New York, New York
August 10, 2020

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

**Consolidated and Combined Statements of Financial Position
June 30, 2019 and 2018**

Assets

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,429,754	\$ 2,121,461
Accounts receivable, net	4,555,677	2,200,790
Developer fees receivable, net	-	214,483
Restricted cash	1,107,763	882,532
Prepaid expenses	124,472	57,497
Tax credit fees, net	87,792	68,919
Fixed assets, net	40,976,540	42,383,129
Security deposits receivable	-	146,228
	<u> </u>	<u> </u>
Total assets	<u>\$ 48,281,998</u>	<u>\$ 48,075,039</u>

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 1,870,961	\$ 1,490,296
Accrued interest payable	1,655,501	1,273,739
Developer fees payable	2,302	214,483
Deferred rent payable	411,929	357,891
Mortgages and loans payable, net of unamortized debt issuance costs	23,757,802	33,430,641
Construction costs payable	-	1,476
	<u> </u>	<u> </u>
Total liabilities	<u>27,698,495</u>	<u>36,768,526</u>
Net assets		
Net assets without donor restrictions, controlling	5,922,855	5,308,107
Net assets without donor restrictions, noncontrolling	14,447,185	5,784,943
Net assets with donor restrictions	213,463	213,463
	<u> </u>	<u> </u>
Total net assets	<u>20,583,503</u>	<u>11,306,513</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 48,281,998</u>	<u>\$ 48,075,039</u>

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, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Revenue and support		
Government grants	\$ 23,070,241	\$ 16,968,778
Rental income	3,549,121	2,429,466
Developer fee income	-	214,483
In-kind contributions	-	116,500
Interest income	42,336	4,710
Other	<u>136,422</u>	<u>508,053</u>
Total revenue and support	<u>26,798,120</u>	<u>20,241,990</u>
Expenses		
Program services		
Housing services (including interest expense of \$981,044 and \$1,121,074)	<u>25,804,028</u>	<u>20,619,336</u>
Supporting services		
Management and general	2,182,798	1,970,278
Fundraising and development	<u>136,847</u>	<u>138,034</u>
Total supporting services	<u>2,319,645</u>	<u>2,108,312</u>
Total expenses	<u>28,123,673</u>	<u>22,727,648</u>
Change in net assets without donor restrictions	(1,325,553)	(2,485,658)
Change in net assets attributable to noncontrolling interest	<u>(1,940,301)</u>	<u>(2,567,672)</u>
Change in net assets attributable to controlling interest	<u>\$ 614,748</u>	<u>\$ 82,014</u>

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, 2019 and 2018

	Without donor restrictions		With donor restrictions	Total net assets
	Controlling	Noncontrolling	Controlling	
Balance, June 30, 2017	\$ 5,226,093	\$ 8,352,615	\$ 213,463	\$ 13,792,171
Change in net assets	<u>82,014</u>	<u>(2,567,672)</u>	<u>-</u>	<u>(2,485,658)</u>
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	<u>614,748</u>	<u>(1,940,301)</u>	<u>-</u>	<u>(1,325,553)</u>
Balance, June 30, 2019	<u><u>\$ 5,922,855</u></u>	<u><u>\$ 14,447,185</u></u>	<u><u>\$ 213,463</u></u>	<u><u>\$ 20,583,503</u></u>

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			Total program and supporting services
	Housing services	Management and general	Fundraising and development	Total 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	<u>\$ 25,804,028</u>	<u>\$ 2,182,798</u>	<u>\$ 136,847</u>	<u>\$ 2,319,645</u>	<u>\$ 28,123,673</u>

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			Total program and supporting services
	Housing services	Management and general	Fundraising and development	Total 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	<u>\$ 20,619,336</u>	<u>\$ 1,970,278</u>	<u>\$ 138,034</u>	<u>\$ 2,108,312</u>	<u>\$ 22,727,648</u>

See Notes to Consolidated and Combined Financial Statements.

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

**Consolidated and Combined Statements of Cash Flow
Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (1,325,553)	\$ (2,485,658)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	1,591,712	1,603,101
Amortization of debt issuance costs	52,703	159,214
Changes in accounts receivable	(2,354,887)	(218,808)
Changes in prepaid expenses	(66,975)	3,866
Changes in developer fee receivable	214,483	323,121
Changes in accounts and accrued expenses payable	380,665	792,884
Changes in accrued interest expense	381,762	933,435
Changes in deferred interest income	-	(33,781)
Changes in deferred rent payable	<u>54,038</u>	<u>353,895</u>
Net cash (used in) provided by operating activities	<u>(1,072,052)</u>	<u>1,431,269</u>
Cash flows from investing activities		
Purchase of fixed assets	(443,607)	(2,167,323)
Net change in restricted cash	(79,003)	(21,071)
Payments on tax credit fees	<u>(25,273)</u>	<u>(5,380)</u>
Net cash used in investing activities	<u>(547,883)</u>	<u>(2,193,774)</u>
Cash flows from financing activities		
Contributions by partners	10,602,543	-
Repayments of line of credit and loans payable	-	(25,000)
Repayments of mortgage payable	(9,672,839)	(178,953)
Repayments of loan payable	-	(47,210)
Repayments of (proceeds from) construction loan	(1,476)	2,534,952
Payments of financing fees	<u>-</u>	<u>(479,884)</u>
Net cash provided by financing activities	<u>928,228</u>	<u>1,803,905</u>
Net (decrease) increase in cash	(691,707)	1,041,400
Cash, beginning of year	<u>2,121,461</u>	<u>1,080,061</u>
Cash, end of year	<u><u>\$ 1,429,754</u></u>	<u><u>\$ 2,121,461</u></u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest, net of amount capitalized	<u><u>\$ 599,282</u></u>	<u><u>\$ 187,639</u></u>
Noncash operating activities for gifts or services	<u><u>\$ -</u></u>	<u><u>\$ 116,500</u></u>

See Notes to Consolidated and Combined Financial Statements.

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2019 and 2018

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, 2019 and 2018.

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2019 and 2018

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, 2019 and 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 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.

Accounting pronouncements for not-for-profit organizations

The Corporation 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, 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 - (or certain grantor-) 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-

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

**Notes to Consolidated and Combined Financial Statements
June 30, 2019 and 2018**

imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

As of June 30, 2019, 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 as elapsed) are reported as reclassifications between the applicable classes of net assets.

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, 2019 and 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 years ended June 30, 2019 and 2018 was \$38,335 and \$5,380, respectively. Annual amortization expense relating to tax credits for each of the next five years through June 30, 2024 is estimated to be \$10,488 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 years ended June 30, 2019 and 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:

	<u>Estimated life</u>
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, 2019 and 2018 in the amount of \$127,234 and \$99,337, respectively. Employees are not reimbursed for accumulated sick leave at termination; accordingly, it has not been accrued in these consolidated and combined financial statements.

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2019 and 2018

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

Contributions are recorded as with donor restrictions or without donor restrictions 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 and combined statements 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 \$0 and \$116,500, respectively, were received and recorded as in-kind contribution income on the accompanying consolidated and combined statements of activities. No in-kind contributions were received during the year ended June 30, 2019.

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

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Notes to Consolidated and Combined Financial Statements June 30, 2019 and 2018

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.

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 statements of activities. No predevelopment advances were written off during the year ended June 30, 2019.

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, 2019 and 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, 2015 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, 2019 and 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, 2019 and 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 2016.

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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 2016.

Change in accounting principle

During 2019, the Organization adopted the provisions of Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The Update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU 2016-14 has been applied on a retrospective basis.

Note 3 - Liquidity and availability

The Organization has \$5,985,431 of financial assets within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$1,429,754 and accounts receivable of \$4,555,677. Only amounts related to restricted deposits and funded reserves anticipated to be used more than one year after the statement of financial position date have been excluded from the above amounts.

Note 4 - Accounts receivable

Accounts receivable balances as of June 30, 2019 and 2018 are as follows:

	2019	2018
Per-diem rentals - HASA	\$ -	\$ 87,134
Government contracts		
NYC Department of Social Services of the Human Resources Administration - HASA	2,506,462	1,521,487
U.S. Department. of Housing and Urban Development	800	2,992
NYC Department of Health	-	61,379
Other	2,502,869	253,655
Total government contracts	5,010,131	1,926,647
Less allowance for doubtful accounts	(454,454)	(262,113)
Total	\$ 4,555,677	\$ 2,200,790

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

**Notes to Consolidated and Combined Financial Statements
June 30, 2019 and 2018**

Note 5 - Fixed assets

Fixed assets consist of the following as of June 30, 2019 and 2018:

	2019	2018
Land	\$ 4,205,894	\$ 4,205,894
Building and building improvements	40,695,785	40,829,308
Furniture, fixtures and equipment	2,431,844	2,152,113
	<u>47,333,523</u>	<u>47,187,315</u>
Less accumulated depreciation and amortization	<u>(6,356,983)</u>	<u>(4,804,186)</u>
	<u><u>\$ 40,976,540</u></u>	<u><u>\$ 42,383,129</u></u>

Note 6 - Restricted cash

A summary of restricted cash as of June 30, 2019 and 2018 for the Organization is as follows:

	2019	2018
Replacement reserves	\$ 137,979	\$ 113,104
Operating reserves	709,477	224,053
Mortgage escrows	224,607	268,750
Debt service reserves	35,700	35,700
Construction escrows	-	240,925
	<u>\$ 1,107,763</u>	<u>\$ 882,532</u>

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, 2019	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.	\$ 19,314	\$ 206,132

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

**Notes to Consolidated and Combined Financial Statements
June 30, 2019 and 2018**

<u>Mortgage and loan detail</u>	<u>Outstanding principal as of June 30, 2019</u>	<u>Outstanding principal as of June 30, 2018</u>
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.	820,813	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	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%. 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.	5,134,172	14,622,279

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

**Notes to Consolidated and Combined Financial Statements
June 30, 2019 and 2018**

<u>Mortgage and loan detail</u>	<u>Outstanding principal as of June 30, 2019</u>	<u>Outstanding principal as of June 30, 2018</u>
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, which is the 50-year anniversary of the beginning of operations, assuming all terms and conditions have been met.	8,763,434	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.	<u>382,000</u>	<u>382,000</u>
Total mortgages payable	24,244,733	33,970,275
Less unamortized closing costs	<u>(486,931)</u>	<u>(539,634)</u>
Total	<u><u>\$ 23,757,802</u></u>	<u><u>\$ 33,430,641</u></u>

During the years ended June 30, 2019 and 2018, total interest costs incurred were \$953,197 and \$1,405,457, respectively. During the years ended June 30, 2019 and 2018, interest of \$0 and \$284,383, respectively, was capitalized into fixed assets. Interest expense related to the mortgages and loans payable for the years ended June 30, 2019 and 2018 was \$953,197 and \$1,121,074, respectively, including amortization of debt issuance costs of \$52,703 and \$159,214, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$486,931 and \$539,634, respectively, as of June 30, 2019 and 2018 and are related to the Real Estate Entities' first mortgages and are amortized based on imputed interest rates of their corresponding debt.

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

**Notes to Consolidated and Combined Financial Statements
June 30, 2019 and 2018**

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

June 30, 2020	\$	179,204
2021		186,971
2022		195,073
2023		203,527
2024		212,347
Thereafter		<u>23,267,611</u>
Total mortgages payable		24,244,733
Less unamortized closing costs		<u>(486,931)</u>
	\$	<u><u>23,757,802</u></u>

Note 8 - Net assets with donor restrictions

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

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 213,463	\$ 213,463
Additions	-	-
Releases	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 213,463</u>	<u>\$ 213,463</u>

Note 9 - Lease obligations

PHI has several lease agreements for office space. Rent expense and real estate taxes for real property amounted to approximately \$6,943,310 and \$6,439,415 for the years ended June 30, 2019 and 2018, respectively. Rent expense for personal property amounted to \$29,317 and \$29,317 for the years ended June 30, 2019 and 2018, respectively.

Approximate future minimum annual rental payments are as follows:

June 30, 2020	\$	5,691,278
2021		3,797,782
2022		2,731,316
2023		2,838,259
2024		2,904,161
Thereafter		<u>7,177,870</u>
	\$	<u><u>25,140,666</u></u>

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

**Notes to Consolidated and Combined Financial Statements
June 30, 2019 and 2018**

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, 2019 and 2018, noncontrolling ownership interests are as follows:

<u>Real Estate Entity</u>	<u>Percentage of ownership</u>	<u>Noncontrolling interest as of June 30, 2019</u>	<u>Noncontrolling interest as of June 30, 2018</u>
Praxis White Plains Road LLC	99.99%	\$ 7,192,037	\$ 7,721,681
Loring Place North L.P.	99.99%	<u>7,255,148</u>	<u>(1,936,738)</u>
		<u>\$ 14,447,185</u>	<u>\$ 5,784,943</u>

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, 2019 and 2018, 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, 2019 and 2018, the investor member had funded cumulative capital contributions of \$10,852,544 and \$250,000, respectively. As of June 30, 2019 and 2018, capital contributions of \$200,000 and \$10,802,544 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 2019 and 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 statements of activities. During the year ended June 30, 2019, no amount was earned from affiliates.

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. As of June 30,

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2019 and 2018

2019, no unreimbursed predevelopment advances were paid and the during the year ended June 30, 2019, no amounts were deemed uncollectible and recognized as an 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, 2019.

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, 2019 and 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 years ended June 30, 2019 and 2018 was \$593,149 and \$586,645, 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 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. 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 will expire on June 30, 2020. The total subsidy earned during the years ended June 30, 2019 and 2018 was \$114,182 and \$108,259, 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, 2019 and 2018, \$733,788 and \$472,525, respectively, of subsidy was received and included in rental income on the accompanying consolidated and combined statements of activities.

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2019 and 2018

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.

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2019 and 2018

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, 2019 and 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 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 August 10, 2020 (the date the consolidated and combined financial statements were available to be issued) and concluded that, other than the subsequent event noted below, 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.

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 lease revenue and other material adverse effects to the Corporation's financial position, results of operations, and cash flows. The Corporation 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 Corporation's operations continue for an extended period of time the Corporation 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 Corporation is unable to continue as a going concern.

Supplementary Information

Consolidating Schedules

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

**Consolidating Statement of Financial Position
June 30, 2019**

	<u>Assets</u>				
	Praxis Housing Initiatives, Inc.	Managing Member Entities	Real Estate Entities	Eliminating Entries	Total
Cash	\$ 528,721	\$ -	\$ 901,033	\$ -	\$ 1,429,754
Accounts receivable, net	5,068,411	-	844,074	(1,356,808)	4,555,677
Investments in joint ventures	(521)	(521)	-	1,042	-
Developer fees receivable, net	1,187,771	-	-	(1,187,771)	-
Restricted cash	-	-	1,107,763	-	1,107,763
Prepaid expenses	124,472	-	-	-	124,472
Tax credit fees, net	-	-	87,792	-	87,792
Fixed assets, net	2,045,778	-	40,262,409	(1,331,647)	40,976,540
Total assets	\$ 8,954,632	\$ (521)	\$ 43,203,071	\$ (3,875,184)	\$ 48,281,998
	<u>Liabilities and Net Assets</u>				
Liabilities					
Accounts payable and accrued expenses	\$ 1,759,612	\$ -	\$ 111,349	\$ -	\$ 1,870,961
Accrued interest payable	-	-	1,655,501	-	1,655,501
Developer fees payable	-	-	1,816,657	(1,814,355)	2,302
Deferred rent payable	411,929	-	-	-	411,929
Due from affiliate	-	-	1,356,810	(1,356,810)	-
Mortgages and loans payable, net of unamortized debt issuance costs	19,314	-	23,738,488	-	23,757,802
Total liabilities	2,190,855	-	28,678,805	(3,171,165)	27,698,495
Net assets					
Net assets without donor restrictions, controlling	6,550,314	(521)	77,081	(704,019)	5,922,855
Net assets without donor restrictions, noncontrolling	-	-	14,447,185	-	14,447,185
Net assets with donor restrictions	213,463	-	-	-	213,463
Total net assets	6,763,777	(521)	14,524,266	(704,019)	20,583,503
Total liabilities and net assets	\$ 8,954,632	\$ (521)	\$ 43,203,071	\$ (3,875,184)	\$ 48,281,998

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

**Consolidating Statement of Activities
Year Ended June 30, 2019**

	Praxis Housing Initiatives, Inc.	Managing Member Entities	Real Estate Entities	Eliminating Entries	Total
Revenue and support					
Government grants	\$ 23,070,241	\$ -	\$ -	\$ -	\$ 23,070,241
Rental income	449,291	-	3,099,830	-	3,549,121
Investment loss - rental property	(194)	(194)	-	388	-
Management/developer fee income	276,627	-	-	(276,627)	-
Interest income	42,336	-	-	-	42,336
Other	22,114	-	114,308	-	136,422
Total revenue and support	<u>23,860,415</u>	<u>(194)</u>	<u>3,214,138</u>	<u>(276,239)</u>	<u>26,798,120</u>
Expenses					
Program services					
Housing services	<u>21,151,183</u>	<u>-</u>	<u>4,887,970</u>	<u>(235,125)</u>	<u>25,804,028</u>
Supporting services					
Management and administration	1,916,134	-	266,664	-	2,182,798
Fundraising and development	<u>136,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,847</u>
Total supporting services	<u>2,052,981</u>	<u>-</u>	<u>266,664</u>	<u>-</u>	<u>2,319,645</u>
Total expenses	<u>23,204,164</u>	<u>-</u>	<u>5,154,634</u>	<u>(235,125)</u>	<u>28,123,673</u>
Change in net assets without donor restrictions	656,251	(194)	(1,940,496)	(41,114)	(1,325,553)
Change in net assets attributable to noncontrolling interest	<u>-</u>	<u>-</u>	<u>(1,940,301)</u>	<u>-</u>	<u>(1,940,301)</u>
Change in net assets attributable to controlling interest	<u>\$ 656,251</u>	<u>\$ (194)</u>	<u>\$ (195)</u>	<u>\$ (41,114)</u>	<u>\$ 614,748</u>

Combining Schedules

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

**Schedule of Combining Statement of Financial Position - Corporate Entities
June 30, 2019**

	<u>Assets</u>		
	<u>Praxis Housing Initiatives, Inc.</u>	<u>Loring Place North HDFC</u>	<u>Total Combined Corporate</u>
Cash	\$ 528,721	\$ -	\$ 528,721
Accounts receivable, net	5,068,411	-	5,068,411
Investments in joint ventures	(521)	-	(521)
Developer fees receivable, net	1,187,771	-	1,187,771
Prepaid expenses	124,472	-	124,472
Fixed assets, net	<u>2,045,778</u>	<u>-</u>	<u>2,045,778</u>
Total assets	<u><u>\$ 8,954,632</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,954,632</u></u>
	<u>Liabilities and Net Assets</u>		
Liabilities			
Accounts payable and accrued expenses	\$ 1,759,612	\$ -	\$ 1,759,612
Deferred rent payable	411,929	-	411,929
Mortgages and loans payable, net of unamortized debt issuance costs	<u>19,314</u>	<u>-</u>	<u>19,314</u>
Total liabilities	<u>2,190,855</u>	<u>-</u>	<u>2,190,855</u>
Net assets			
Net assets without donor restrictions, controlling	-	-	-
Net assets without donor restrictions, noncontrolling	6,550,314	-	6,550,314
Net assets with donor restrictions	<u>213,463</u>	<u>-</u>	<u>213,463</u>
Total net assets	<u>6,763,777</u>	<u>-</u>	<u>6,763,777</u>
Total liabilities and net assets	<u><u>\$ 8,954,632</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,954,632</u></u>

See Independent Auditor's Report.

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

**Schedule of Combining Statement of Activities - Corporate Entities
Year Ended June 30, 2019**

	<u>Praxis Housing Initiatives, Inc.</u>	<u>Loring Place North HDFC</u>	<u>Total Corporate Combined</u>
Revenue and support			
Government grants	\$ 23,070,241	\$ -	\$ 23,070,241
Rental income	449,291	-	449,291
Investment loss - rental property	(194)	-	(194)
Management/developer fee income	276,627	-	276,627
In-kind contributions	-	-	-
Interest income	42,336	-	42,336
Other	<u>22,114</u>	<u>-</u>	<u>22,114</u>
Total revenue and support	<u>23,860,415</u>	<u>-</u>	<u>23,860,415</u>
Expenses			
Program services			
Housing services	<u>21,151,183</u>	<u>-</u>	<u>21,151,183</u>
Supporting services			
Management and administration	1,916,134	-	1,916,134
Fundraising and development	<u>136,847</u>	<u>-</u>	<u>136,847</u>
Total supporting services	<u>2,052,981</u>	<u>-</u>	<u>2,052,981</u>
Change in net assets attributable to noncontrolling interest	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets attributable to controlling interest	<u><u>\$ 656,251</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 656,251</u></u>

See Independent Auditor's Report.

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

**Schedule of Combining Statement of Financial Position - Managing Member Entities
June 30, 2019**

	<u>Assets</u>		
	Praxis White Plains Road MM, Inc.	Loring Place North GP Inc.	Total Combined Managing Member
Investments in joint ventures	\$ (161)	\$ (360)	\$ (521)
Total assets	<u>\$ (161)</u>	<u>\$ (360)</u>	<u>\$ (521)</u>
	<u>Liabilities and Net Assets</u>		
Liabilities	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net assets			
Net assets without donor restrictions, controlling	(161)	(360)	(521)
Net assets without donor restrictions, noncontrolling	-	-	-
Net assets with donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>(161)</u>	<u>(360)</u>	<u>(521)</u>
Total liabilities and net assets	<u>\$ (161)</u>	<u>\$ (360)</u>	<u>\$ (521)</u>

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, 2019**

	Praxis White Plains Road MM, Inc.	Loring Place North GP, Inc.	Total Combined Managing Member
	<u> </u>	<u> </u>	<u> </u>
Revenue and support			
Investment loss - rental property	\$ (53)	\$ (141)	\$ (194)
	<u> </u>	<u> </u>	<u> </u>
Total revenue and support	(53)	(141)	(194)
	<u> </u>	<u> </u>	<u> </u>
Expenses			
Program services			
Housing services	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Supporting services			
Management and administration	-	-	-
Fundraising and development	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total supporting services	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total expenses	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Change in net assets without donor restrictions	(53)	(141)	(194)
	<u> </u>	<u> </u>	<u> </u>
Change in net assets attributable to noncontrolling interest	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Change in net assets attributable to controlling interest	\$ (53)	\$ (141)	\$ (194)
	<u> </u>	<u> </u>	<u> </u>

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, 2019**

	<u>Assets</u>		
	Praxis White Plains Road, LLC	Loring Place North, L.P.	Total Combined Real Estate Entities
Cash	\$ 385,248	\$ 515,785	\$ 901,033
Accounts receivable, net	609,268	234,806	844,074
Restricted cash	537,882	569,881	1,107,763
Tax credit fees, net	57,719	30,073	87,792
Fixed assets, net	<u>15,947,431</u>	<u>24,314,978</u>	<u>40,262,409</u>
Total assets	<u><u>\$ 17,537,548</u></u>	<u><u>\$ 25,665,523</u></u>	<u><u>\$ 43,203,071</u></u>
	<u>Liabilities and Net Assets</u>		
Liabilities			
Accounts payable and accrued expenses	\$ 55,571	\$ 55,778	\$ 111,349
Accrued interest payable	550,853	1,104,648	1,655,501
Developer fees payable	227,642	1,589,015	1,816,657
Due from affiliate	775,401	581,409	1,356,810
Mortgages and loans payable, net of unamortized debt issuance costs	<u>8,736,205</u>	<u>15,002,283</u>	<u>23,738,488</u>
Total liabilities	<u>10,345,672</u>	<u>18,333,133</u>	<u>28,678,805</u>
Net assets			
Net assets without donor restrictions, controlling	(161)	77,242	77,081
Net assets without donor restrictions, noncontrolling	7,192,037	7,255,148	14,447,185
Net assets with donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	7,191,876	7,332,390	14,524,266
Noncontrolling interest, unrestricted	<u>7,192,037</u>	<u>7,255,148</u>	<u>14,447,185</u>
Total net assets	<u>14,383,913</u>	<u>14,587,538</u>	<u>28,971,451</u>
Total liabilities and net assets	<u><u>\$ 17,537,548</u></u>	<u><u>\$ 25,665,523</u></u>	<u><u>\$ 43,203,071</u></u>

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, 2019**

	Praxis White Plains Road LLC	Loring Place North, L.P.	Total Real Estate Entities
Revenue and support			
Rental income	\$ 1,269,915	\$ 1,829,915	\$ 3,099,830
Other	114,182	126	114,308
	<u>1,384,097</u>	<u>1,830,041</u>	<u>3,214,138</u>
Total revenue and support			
	<u>1,384,097</u>	<u>1,830,041</u>	<u>3,214,138</u>
Housing services	<u>1,819,858</u>	<u>3,068,112</u>	<u>4,887,970</u>
Supporting services			
Management and administration	93,936	172,728	266,664
Fundraising and development	<u>-</u>	<u>-</u>	<u>-</u>
Total supporting services	<u>93,936</u>	<u>172,728</u>	<u>266,664</u>
Total expenses	<u>1,913,794</u>	<u>3,240,840</u>	<u>5,154,634</u>
Change in net assets without donor restrictions	(529,697)	(1,410,799)	(1,940,496)
Change in net assets attributable to	<u>(529,644)</u>	<u>(1,410,657)</u>	<u>(1,940,301)</u>
Change in net assets attributable to controlling interest	<u>\$ (53)</u>	<u>\$ (142)</u>	<u>\$ (195)</u>
Net assets, beginning	\$ 7,721,573	\$ (1,859,354)	\$ 5,862,219
Change in net assets	(529,697)	(1,410,799)	(1,940,496)
Contributions	<u>-</u>	<u>10,602,543</u>	<u>10,602,543</u>
Net assets, ending	<u>\$ 7,191,876</u>	<u>\$ 7,332,390</u>	<u>\$ 14,524,266</u>

See Independent Auditor's Report.

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

<u>Pass-through grantor/ Program or Cluster title</u>	<u>Federal CFDA number</u>	<u>Pass-through entity identifying number</u>	<u>Passed through to subrecipients</u>	<u>Total federal expenditures</u>
Department of Housing and Urban Development Supportive Housing Program	14.235	NY0364L2T001609		<u>\$ 902,663</u>
Total Supportive Housing Program				<u>902,663</u>
Housing Opportunities for Persons with AIDS Passed through NYC Dept. of Social Services Human Resource Administration	14.241	20111429581		801,246
Passed through NYC Dept. of Social Services Human Resource Administration	14.241	20200002169		522,945
Housing Opportunities for Persons with AIDS Passed through NYC Dept. of Health and Mental Hygiene	14.241	20170000772		<u>360,564</u>
Total Housing Opportunities for Persons with AIDS				<u>1,684,755</u>
Total U.S. Department of Housing and Urban Development				<u>2,587,418</u>
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	20111447268		12,220
Temporary Assistance for Needy Families Passed through NYC Dept. of Social Services Human Resource Administration	93.558	20111429581		130,977
Passed through NYC Dept. of Social Services Human Resource Administration	93.558	20200002169		55,854
Passed through NYC Dept. of Homeless Services	93.558	20181408656		<u>2,883,148</u>
Total Department of Health and Human Services				<u>3,082,199</u>
Total Expenditures of Federal Awards				<u><u>\$ 5,669,617</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

**Notes to Schedule of Expenditures of Federal Awards
June 30, 2019**

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, 2019. 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, 2019 and 2018, and the related consolidated and combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated and combined financial statements, and have issued our report thereon dated August 10, 2020.

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 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 determination of consolidated and combined 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
August 10, 2020

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, 2019. 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, 2019.

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.



New York, New York
August 10, 2020

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

Schedule of Findings and Questioned Costs
June 30, 2019

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:

<u>CFDA Numbers(s)</u>	<u>Name of Federal Program or Cluster</u>
93.558	Department of Health and Human Services Temporary Assistance for Needy Families Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee X Yes No

Praxis Housing Initiatives, Inc. and Subsidiaries and Affiliates

**Schedule of Findings and Questioned Costs
June 30, 2019**

B. Findings - Financial Statements Audit

None

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

None



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