

**BRONX PARENT HOUSING NETWORK, INC  
(d/b/a HOUSING SOLUTIONS OF NEW YORK)**



**Financial Statements  
(Together with Independent Auditors' Report)**

**Years Ended June 30, 2023 and 2022**

**BRONX PARENT HOUSING NETWORK, INC.  
(d/b/a HOUSING SOLUTIONS OF NEW YORK)**

**FINANCIAL STATEMENTS  
(Together with Independent Auditors' Report)**

**YEARS ENDED JUNE 30, 2023 AND 2022**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditors' Report.....	1-2
Statements of Financial Position.....	3
Statements of Activities .....	4
Statements of Functional Expenses .....	5-6
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8-15



## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Bronx Parent Housing Network, Inc.  
(d/b/a Housing Solutions of New York)  
Bronx, NY

### ***Opinion***

We have audited the financial statements of Bronx Parent Housing Network, Inc. (d/b/a Housing Solutions of New York) (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net deficit and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Change in Accounting Principle***

As discussed in Note 2L to the financial statements, the Organization changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective July 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Mayer Hoffman McCann CPAs*

New York, NY  
December 29, 2023

**BRONX PARENT HOUSING NETWORK, INC.**  
**(d/b/a HOUSING SOLUTIONS OF NEW YORK)**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2D, 3 and 9B)	\$ 5,256,314	\$ 3,570,865
Accounts receivable, net (Notes 2I, 3, 4, 7C and 9A)	46,857,167	24,114,042
Other assets and receivables (Note 3)	234,942	293,494
Prepaid expenses and other assets	1,067,555	143,281
Property, equipment and leasehold improvement, net (Notes 2E and 5)	474,310	540,958
Cash held in escrow (Note 2D)	2,151,800	-
Security deposits	212,820	211,837
Right-of-use assets - operating leases (Notes 2L and 10)	<u>85,049,905</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 141,304,813</u>	<u>\$ 28,874,477</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 29,689,448	\$ 12,602,622
Government refundable advances and deferred revenue (Note 2F)	26,744,242	17,396,762
Deferred rent (Note 2J)	-	1,072,655
Notes and loan payable (Note 6)	642,179	746,771
Lease liabilities - operating (Notes 2L and 10)	<u>86,633,916</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>143,709,785</u>	<u>31,818,810</u>
<b>COMMITMENTS AND CONTINGENCIES</b> (Note 7)		
<b>NET DEFICIT</b> (Notes 2C and 11)		
Without donor restrictions	<u>(2,404,972)</u>	<u>(2,944,333)</u>
<b>TOTAL NET DEFICIT</b>	<u>(2,404,972)</u>	<u>(2,944,333)</u>
<b>TOTAL LIABILITIES AND NET DEFICIT</b>	<u>\$ 141,304,813</u>	<u>\$ 28,874,477</u>

**BRONX PARENT HOUSING NETWORK, INC.**  
**(d/b/a HOUSING SOLUTIONS OF NEW YORK)**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING SUPPORT AND REVENUE:</b> (Notes 2F and 9A)						
Government grants	\$ 110,000,808	\$ -	\$ 110,000,808	\$ 70,681,653	\$ -	\$ 70,681,653
Medicaid	51,873	-	51,873	75,470	-	75,470
Interest and dividends	30,473	-	30,473	8,644	-	8,644
Contributions (Note 2H)	8,281	-	8,281	-	-	-
Other revenue (Note 7C)	1,088,964	-	1,088,964	1,077,954	-	1,077,954
<b>TOTAL OPERATING SUPPORT AND REVENUE</b>	<b>111,180,399</b>	<b>-</b>	<b>111,180,399</b>	<b>71,843,721</b>	<b>-</b>	<b>71,843,721</b>
<b>EXPENSES:</b> (Note 2G)						
Program services	102,741,412	-	102,741,412	66,116,275	-	66,116,275
	102,741,412	-	102,741,412	66,116,275	-	66,116,275
<b>Supporting Services:</b>						
Management and general	7,899,626	-	7,899,626	5,703,488	-	5,703,488
Fundraising and development	-	-	-	-	-	-
	7,899,626	-	7,899,626	5,703,488	-	5,703,488
<b>TOTAL EXPENSES</b>	<b>110,641,038</b>	<b>-</b>	<b>110,641,038</b>	<b>71,819,763</b>	<b>-</b>	<b>71,819,763</b>
<b>CHANGE IN NET DEFICIT FROM OPERATIONS</b>	<b>539,361</b>	<b>-</b>	<b>539,361</b>	<b>23,958</b>	<b>-</b>	<b>23,958</b>
<b>NONOPERATING REVENUE, EXPENSES, GAINS AND LOSSES:</b>						
Loss on disposal of assets (Note 5)	-	-	-	(16,982)	-	(16,982)
<b>TOTAL NONOPERATING REVENUE, EXPENSES, GAINS AND LOSSES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,982)</b>	<b>-</b>	<b>(16,982)</b>
<b>CHANGE IN NET DEFICIT</b>	<b>539,361</b>	<b>-</b>	<b>539,361</b>	<b>6,976</b>	<b>-</b>	<b>6,976</b>
Net deficit - beginning of year	(2,944,333)	-	(2,944,333)	(2,951,309)	-	(2,951,309)
<b>NET DEFICIT - END OF YEAR</b>	<b>\$ (2,404,972)</b>	<b>\$ -</b>	<b>\$ (2,404,972)</b>	<b>\$ (2,944,333)</b>	<b>\$ -</b>	<b>\$ (2,944,333)</b>

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

**BRONX PARENT HOUSING NETWORK, INC.**  
**(d/b/a HOUSING SOLUTIONS OF NEW YORK)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
**(With Comparative Totals for the Year Ended June 30, 2022)**

	<b>Program Services</b>	<b>Management and General</b>	<b>Total 2023</b>	<b>Total 2022</b>
Salaries	\$ 17,855,061	\$ 2,017,953	\$ 19,873,014	\$ 12,626,561
Payroll taxes and fringe benefits (Note 8)	<u>4,137,295</u>	<u>523,700</u>	<u>4,660,995</u>	<u>3,316,752</u>
<b>Total Salaries and Related Costs</b>	<u>21,992,356</u>	<u>2,541,653</u>	<u>24,534,009</u>	<u>15,943,313</u>
Occupancy (Notes 2J and 10)	635,726	57,293	693,019	745,911
Security services	19,845,326	212,680	20,058,006	9,029,981
Utilities	2,900,971	249,483	3,150,454	2,398,390
Repairs and maintenance	1,958,201	114,956	2,073,157	1,621,898
Food and meals	2,501,004	5,602	2,506,606	1,399,405
Office expenses	1,214,199	319,122	1,533,321	704,761
Insurance	872,380	213,145	1,085,525	713,046
Professional fees	811,737	2,500,767	3,312,504	2,390,478
Real estate taxes	760,340	-	760,340	716,418
Client supplies and activities	814,300	7,328	821,628	384,788
Depreciation and amortization (Note 5)	162,907	16,797	179,704	224,375
Travel and meetings	68,196	53,228	121,424	65,791
Bad debt expense (Note 7C)	-	297,228	297,228	1,084,242
Interest expense (Note 6)	-	23,198	23,198	29,843
Other expenses	<u>116,336</u>	<u>789,450</u>	<u>905,786</u>	<u>305,365</u>
<b>Total Other Than Personnel Services</b>	<u>32,661,623</u>	<u>4,860,277</u>	<u>37,521,900</u>	<u>21,814,692</u>
Pass-through expenses (Note 2K):				
Occupancy (Notes 2J and 10)	<u>48,087,433</u>	<u>497,696</u>	<u>48,585,129</u>	<u>34,061,758</u>
<b>TOTAL EXPENSES</b>	<u>\$ 102,741,412</u>	<u>\$ 7,899,626</u>	<u>\$ 110,641,038</u>	<u>\$ 71,819,763</u>

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

**BRONX PARENT HOUSING NETWORK, INC.**  
**(d/b/a HOUSING SOLUTIONS OF NEW YORK)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Program Services</b>	<b>Management and General</b>	<b>Total 2022</b>
Salaries	\$ 11,264,823	\$ 1,361,738	\$ 12,626,561
Payroll taxes and fringe benefits (Note 8)	<u>2,927,639</u>	<u>389,113</u>	<u>3,316,752</u>
<b>Total Salaries and Related Costs</b>	<u>14,192,462</u>	<u>1,750,851</u>	<u>15,943,313</u>
Occupancy (Notes 2J and 10)	684,234	61,677	745,911
Security services	9,007,129	22,852	9,029,981
Utilities	2,337,341	61,049	2,398,390
Repairs and maintenance	1,559,909	61,989	1,621,898
Food and meals	1,395,767	3,638	1,399,405
Office expenses	534,931	169,830	704,761
Insurance	692,601	20,445	713,046
Professional fees	230,086	2,160,392	2,390,478
Real estate taxes	716,418	-	716,418
Client supplies and activities	383,099	1,689	384,788
Depreciation and amortization (Note 5)	206,029	18,346	224,375
Travel and meetings	57,523	8,268	65,791
Bad debt expense (Note 7C)	-	1,084,242	1,084,242
Interest expense (Note 6)	13,201	16,642	29,843
Other expenses	<u>43,787</u>	<u>261,578</u>	<u>305,365</u>
<b>Total Other Than Personnel Services</b>	<u>17,862,055</u>	<u>3,952,637</u>	<u>21,814,692</u>
Pass-through expenses (Note 2K):			
Occupancy (Notes 2J and 10)	<u>34,061,758</u>	<u>-</u>	<u>34,061,758</u>
<b>TOTAL EXPENSES</b>	<u>\$ 66,116,275</u>	<u>\$ 5,703,488</u>	<u>\$ 71,819,763</u>

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



**BRONX PARENT HOUSING NETWORK, INC.**  
**(d/b/a HOUSING SOLUTIONS OF NEW YORK)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net deficit	\$ 539,361	\$ 6,976
Adjustments to reconcile change in net deficit to net cash provided by (used in) operating activities:		
Bad debt expense	297,228	1,084,242
Loss on disposal of assets	-	16,982
Depreciation and amortization	179,704	224,375
Non-cash adjustment to operating leases	<u>14,171,770</u>	<u>-</u>
<b>Subtotal</b>	15,188,063	1,332,575
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	(23,040,353)	6,144,978
Other assets and receivables	58,552	(49,182)
Prepaid expenses and other assets	(924,274)	(51,757)
Security deposits	(983)	(10,023)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	17,086,826	(1,795,968)
Government refundable advances and deferred revenue	9,347,480	(6,794,831)
Deferred rent	(1,072,655)	225,350
Lease liabilities - operating	<u>(12,587,759)</u>	<u>-</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>4,054,897</u>	<u>(998,858)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, equipment and leasehold improvement	<u>(113,056)</u>	<u>(30,603)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(113,056)</u>	<u>(30,603)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from loans	1,693,879	-
Repayments of loans	(1,693,879)	-
(Repayments) proceeds of notes payable	<u>(104,592)</u>	<u>251,764</u>
<b>Net Cash (Used in) Provided by Financing Activities</b>	<u>(104,592)</u>	<u>251,764</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	3,837,249	(777,697)
Cash and cash equivalents and restricted cash - Beginning of year	<u>3,570,865</u>	<u>4,348,562</u>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR</b>	<u>\$ 7,408,114</u>	<u>\$ 3,570,865</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	<u>\$ 23,198</u>	<u>\$ 23,445</u>
The amounts reported as cash and cash equivalents and restricted cash above consist of the following amounts reported in the statements of financial position:		
Cash and cash equivalents	\$ 5,256,314	\$ 3,570,865
Cash held in escrow	<u>2,151,800</u>	<u>-</u>
	<u>\$ 7,408,114</u>	<u>\$ 3,570,865</u>

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

**BRONX PARENT HOUSING NETWORK, INC.**  
**(d/b/a HOUSING SOLUTIONS OF NEW YORK)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Bronx Parent Housing Network, Inc. (d/b/a Housing Solutions of New York) (the “Organization”) is a nonprofit organization that provides temporary housing, social services, and other support to low and moderate-income individuals and families experiencing homelessness in New York City. The Organization is organized under the Not-for-Profit Corporation Law of New York State and has been granted an exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code (“IRC”).

The Organization initially served all districts of the Bronx in New York City. Over the past 18 months, the Organization has expanded to all five boroughs and has increased its presence, because of the asylum crisis in New York City. Further, the Organization expanded its social service offerings to our Emergency Housing Program (“EHP”).

The Organization's shelter clients include displaced homeless families with children, single adults and adult families who are New York City residents seeking emergency housing via referrals from several channels including the NYC Human Resources Administration (“HRA”), specifically from the HIV/AIDS Services Administration (“HASA”) program, the Department of Homeless Services (“DHS”), and New York State Department of Corrections.

Populations served are primarily homeless and unstably housed individuals or families with head of households who can be living with HIV/AIDS, Hepatitis C, exhibiting substance use/addiction disorders, are mentally ill, formerly incarcerated, survivors of domestic violence, and living more than 200% below the Federal Poverty Level.

The Organization has explored opportunities outside New York, but has not begun any operations.

Effective July 1, 2022, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842), which required to recognize the right-of-use (“ROU”) assets and liabilities in the statement of financial position. It is important to note that such lease commitments are directly related to arrangements with various landlords which are essential to the Organization's mission and services to provide shelter housing.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. ***Basis of Accounting*** – The Organization's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ***Use of Estimates*** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.
- C. ***Net Assets*** – The Organization maintains its net assets under the following two classes:

Without Donor Restrictions - represents net assets not subject to any donor-imposed stipulations or other restrictions over which the Board of Directors have discretionary control.

With Donor Restrictions - represents assets that are subject to donor-imposed stipulations. 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 to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions are released from donor restrictions by incurring expenses, thereby satisfying the restricted purposes of providing services as specified by the donors. Unconditional promises to give that are due in future periods to support the current-period activities are reported as net assets without donor restrictions. As of June 30, 2023 and 2022, the Organization had no net assets with donor restrictions.

**BRONX PARENT HOUSING NETWORK, INC.**  
**(d/b/a HOUSING SOLUTIONS OF NEW YORK)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- D. ***Cash and Cash Equivalents*** – The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.
- E. ***Property, Equipment and Leasehold Improvements*** – Property, equipment and leasehold improvements are stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. The Organization records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2023 and 2022. There may be instances where certain expenditures for property and equipment are included in the financial statements as expenses because the cost of these items was reimbursed by certain governmental funding sources and/or the contractual agreement specifies that title to these assets, rests with the funding sources rather than the Organization.

- F. ***Governmental Grants*** – Government grants are nonexchange transactions and accounted for under FASB ASU 2018-08. Government grants are recognized as revenue when barriers within the contract are overcome, and there is no right of return. Government grants amounted to \$110,000,808 and \$70,681,653 for the years ended June 30, 2023 and 2022, respectively, and are included in the accompanying statements of activities.

As of June 30, 2023 and 2022, the Organization had received conditional grants and contracts from government and other agencies in the aggregate amounts of approximately \$255,000,000 and \$225,000,000, respectively. Such grants have not been recognized in the accompanying financial statements as they are for future periods and will be recognized when contract barriers are overcome. Such barriers include expending these funds in accordance with their budgets and agreements. If such services are not provided, the governmental entities are not obligated to disburse the funds allotted under the grants and contracts and the Organization may be required to return the funds already remitted. In addition, the Organization has a contract amounting to approximately \$99,500,000, which is not yet registered as of the date of these financial statements.

There are instances when the Organization receives advances from the governmental funding sources. Such advances are recorded as government refundable advances and deferred revenue in the accompanying statements of financial position. As of June 30, 2023 and 2022, such advances amounted to approximately \$26,750,000 and \$17,400,000, respectively, and will be used to offset current accounts receivable.

- G. ***Functional Allocation of Expenses*** – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries, wages, benefits, and payroll taxes are allocated on the basis of time and effort. Insurance is allocated based on property premium charge from the insurance company. Facilities with multiple charge centers are charged based on property usage. The remainder of the functional expenses are charged directly to the program and supporting function.

**BRONX PARENT HOUSING NETWORK, INC.**  
**(d/b/a HOUSING SOLUTIONS OF NEW YORK)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- H. **Contributions, Donated Services and In-Kind Contributions** – Contributions, including in-kind contributions, are recorded as revenue in the period in which they are made. Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria prescribed by U.S. GAAP.

Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended June 30, 2023 and 2022. Accordingly, these financial statements do not reflect the value of any contributed goods or services.

- I. **Accounts Receivable and Allowance for Uncollectible Accounts Receivables** – Accounts receivable consist primarily of noninterest-bearing amounts due for services provided to New York City. The Organization determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, credit worthiness of funders and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. As of both June 30, 2023 and 2022, the allowance was \$1,084,242.
- J. **Deferred Rent** – Through June 30, 2022, rent expense was recognized using the straight-line method over the term of the leases. The difference between rent expense incurred and the amount paid, which is attributable to scheduled rent increases, was reported as a liability in the accompanying statements of financial position.
- K. **Pass-Through Expenses** – There are certain expenses related to rents, real estate taxes, and stabilization of beds for the DHS contracts. The role of the Organization is to be a conduit to pay such expenses. DHS reimburses the Organization for these expenses without any administrative costs being added. Accordingly, such expenses are referred to as pass-through and included as pass-through expenses in the statements of functional expenses.
- L. **Recent Accounting Pronouncements** – The Organization adopted ASU 2016-02, *Leases* (Topic 842) for the year ended June 30, 2023. The ASU requires organizations that lease assets to recognize the present value of the assets and liabilities for the rights and obligations created by those leases. The Organization adopted Topic 842 as of July 1, 2022, which required the recognition of lease assets of \$99,221,675 and lease liabilities of \$100,288,673 as of that date. The lease liability was valued using the present value of remaining lease payments. The adoption of Topic 842 was done using a modified retrospective approach that does not require restating prior periods, and as such, the adoption had no impact to the prior year financial statements, including the change in net assets as previously reported.

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,256,314	\$ 3,570,865
Accounts receivable, net	46,857,167	24,114,042
Other assets and receivables	<u>234,942</u>	<u>293,494</u>
Subtotal	52,348,423	27,978,401
Less: Other assets and receivables not available	<u>(28,960)</u>	<u>(27,754)</u>
Total	<u>\$ 52,319,463</u>	<u>\$ 27,950,647</u>

The Organization regularly monitors the availability of resources to meet its operating needs and other contractual commitments.

**BRONX PARENT HOUSING NETWORK, INC.**  
**(d/b/a HOUSING SOLUTIONS OF NEW YORK)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 4 – ACCOUNTS RECEIVABLE, NET**

Accounts receivable consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
New York City Department of Homeless Services	\$ 43,293,797	\$ 20,919,889
New York City Human Resources Administration	1,177,142	2,137,974
Judgment by the U.S. District Court – Former CEO	902,269	902,269
New York City Department of Youth and Community Development	475,200	475,200
New York State Department of Health	113,380	311,847
Public Health Solutions	600,335	-
Other funders	<u>1,379,286</u>	<u>451,105</u>
Accounts receivable, before allowance	47,941,409	25,198,284
Less: allowance for doubtful accounts	<u>(1,084,242)</u>	<u>(1,084,242)</u>
	<u>\$ 46,857,167</u>	<u>\$ 24,114,042</u>

**NOTE 5 – PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET**

Property, equipment and leasehold improvements consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 549,304	\$ 749,146	10 years or lease term
Furniture and fixtures	610,279	577,699	5 years
Vehicles	<u>263,440</u>	<u>208,462</u>	5 years
Total cost	1,423,023	1,535,307	
Less: Accumulated depreciation and amortization	<u>(948,713)</u>	<u>(994,349)</u>	
Net book value	<u>\$ 474,310</u>	<u>\$ 540,958</u>	

Depreciation and amortization expense amounted to \$179,704 and \$224,375 for the years ended June 30, 2023 and 2022, respectively. During the years ended June 30, 2023 and 2022, the Organization disposed of property and equipment of \$225,340 and \$24,812, respectively. Such disposal resulted in a net loss for June 30, 2022 of \$16,982. There were no losses for the year ended June 30, 2023.

**BRONX PARENT HOUSING NETWORK, INC.**  
**(d/b/a HOUSING SOLUTIONS OF NEW YORK)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 6 – NOTES AND LOAN PAYABLE**

	<u>2023</u>	<u>2022</u>
Note payable to a bank in the amount of \$155,516 and carries an interest rate of 4.45%. The monthly principal and interest payments amounting to \$2,897 are due until maturity on August 25, 2024. The note is collateralized by equipment.	\$ 39,453	\$ 71,696
Note payable to a bank in the amount of \$215,172 and carries an interest rate of 4.65%. The monthly principal and interest payments amounting to \$4,028 are due until maturity on October 20, 2024. The note is collateralized by equipment.	62,374	106,683
Note payable to a bank in the amount of \$42,706 and carries an interest rate of 4.75%. The monthly principal and interest payments amounting to \$801 are due until maturity on October 25, 2024. The note is collateralized by equipment.	12,395	21,228
Note payable to a bank in the amount of \$86,255 and carries an interest rate of 4.94%. The monthly principal and interest payments amounting to \$1,626 are due until maturity on February 23, 2025. The note is collateralized by equipment.	29,654	47,164
Note payable to a bank with an interest rate of 2.75%. The principal and interest payments amounting to \$2,197 are due monthly until maturity on September 2, 2050. The note is collateralized by all tangible and intangible property.	<u>498,303</u>	<u>500,000</u>
	<u>\$ 642,179</u>	<u>\$ 746,771</u>

Principal payments on notes payable for the fiscal years ended subsequent to June 30, 2023 are as follows:

2024	\$ 120,610
2025	49,273
2026	13,546
2027	13,923
2028	14,311
Thereafter	<u>430,516</u>
Total	<u>\$ 642,179</u>

The interest expense for the years ended June 30, 2023 and 2022 amounted to \$23,198 and \$29,843, respectively.

During the year ended June 30, 2023, the Organization secured a bridge loan from the Fund for the City of New York in the amount of \$1,693,879. The loan is interest free and had a term of 90 days. The Organization obtained the funding due to a delay in registering contracts, resulting in a short-term cash shortfall. The note has been repaid in full as of June 30, 2023.

**BRONX PARENT HOUSING NETWORK, INC.**  
**(d/b/a HOUSING SOLUTIONS OF NEW YORK)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

- A. The Organization is responsible to report to and is regulated by various governmental third parties. These agencies have the right to audit the Organization's fiscal and programmatic compliance. Laws and regulations governing the Organization's programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates might change in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusions from these programs.
- B. The Organization believes it has no uncertain tax positions as of June 30, 2023 and 2022 in accordance with FASB Accounting Standard Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- C. The United States Attorney's Office for the Southern District of New York ("SDNY") and the Bronx County District Attorney's Office ("Bronx DA") investigated allegations made against the Organization's former CEO. Pursuant to multiple subpoenas served on the Organization, the Organization produced records, reports, communications, and other documents pertaining to the former CEO's alleged misconduct. In addition, the SDNY executed a search warrant on the former CEO's office at the Organization in December 2020. The Organization fully cooperated with the investigations.

In May 2022, the former CEO pleaded guilty, and a judgment was issued by the SDNY. The Organization was awarded a restitution of \$902,269 to be paid by the former CEO. The amount is included in other revenue and accounts receivable in the accompanying financial statements. The Organization has established an allowance for doubtful accounts of 100% on the accounts receivable.

- D. The Organization is a defendant in various legal actions arising out of the normal course of its operations. The final outcome of such actions cannot be determined at this time. Eventual liability, if any, is likely to be covered by insurance except where the applicable insurance policies expressly exclude certain coverage, which arguably relates to the claims.

**NOTE 8 – EMPLOYEE BENEFIT PLAN**

The Organization sponsors a tax-deferred annuity plan (the "Plan") qualified under IRC Section 403(b) covering substantially all employees. The Plan provides that employees who have completed 90 days of service may voluntarily contribute earnings to the Plan, up to the maximum contribution allowed by the Internal Revenue Service ("IRS"). Employer contributions are discretionary. During the years ended June 30, 2023 and 2022, the Organization matched 100 percent of employee voluntary contributions up to six percent, resulting in contributions to the Plan of \$672,327 and \$352,159, respectively, including additional discretionary contributions.

**NOTE 9 – CONCENTRATIONS**

- A. At June 30, 2023 and 2022, and for the years then ended, approximately 90% and 83%, respectively, of the Organization's receivables and 78% and 83%, respectively, of the Organization's operating support and revenue, were derived from one government entity.
- B. Cash and cash equivalents that potentially subject the Organization to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accounts are insured up to \$250,000 per depositor, per insured institution. As of June 30, 2023 and 2022, there was approximately \$4,825,000 and \$2,677,000, respectively, of cash and cash equivalents held by two banks that exceeded FDIC limits. Such excess includes outstanding checks.

**BRONX PARENT HOUSING NETWORK, INC.**  
**(d/b/a HOUSING SOLUTIONS OF NEW YORK)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 10 – RIGHT-OF-USE ASSETS AND LIABILITIES**

The Organization leases office space under operating lease arrangements at various terms through December 2038, for which expense is recognized on a straight-line basis over the lease term. The Organization assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. As a result, adopting ASC 842 had no impact to the prior year financial statements information. No comparative information is provided for the amounts reported on the statement of financial position as of June 30, 2022 since the Organization used the modified retrospective method of transition that does not require restating the prior period.

As of June 30, 2023, the ROU assets had a balance of \$85,049,905 and lease liabilities had a balance of \$86,633,916, related to operating leases. The ROU assets and liabilities were calculated utilizing risk-free rates (ranging from 3.16% to 4.59%), according to the Organization's elected policy. The weighted average of the remaining lease term is 87 months. The weighted average discount rate amounted to 3.34% for operating leases.

The following summarizes the line items in the statement of functional expenses which include the components of lease expense for the year ended June 30, 2023:

Operating lease expense included in occupancy costs:	<u>\$17,041,983</u>
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The following summarizes cash flow information related to leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases:	\$16,524,970

Lease assets obtained in exchange for lease obligations:	
Operating leases	\$99,221,675

Future minimum payments for non-cancelable operating leases for the next five years ending after June 30, 2023 and thereafter are as follows:

2024	\$	17,512,029
2025		17,171,018
2026		16,873,754
2027		15,732,507
2028		8,119,740
Thereafter		<u>22,207,234</u>
Total lease payments		97,616,282
Less: Present value discount		<u>(10,982,366)</u>
Present value of lease liabilities	\$	<u>86,633,916</u>

Operating lease expense above, does not include costs related to short-term rentals of approximately \$31,000,000, which are included as occupancy costs in the accompanying statement of functional expenses. Such amounts represent rent and other payment related to the Organization's clients' housing arrangements other than leases.

For the year ended June 30, 2022, leases were accounted for under ASC Topic 840. Total rent expense related to such leases for the year ended June 30, 2022 amounted to \$34,236,181, and is included in occupancy costs in the accompanying statements of functional expenses.



**BRONX PARENT HOUSING NETWORK, INC.**  
**(d/b/a HOUSING SOLUTIONS OF NEW YORK)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 11 – DEFICIT NET ASSETS**

The Organization has an unrestricted net deficit of approximately \$2.4 million and \$2.9 million as of June 30, 2023 and 2022, respectively. The net deficit primarily is related to the discontinued HASA sites due to a lower occupancy rate coupled with a higher building maintenance cost. The deficit also includes prior year write-offs of uncollectible client copay, increased operating costs compared to approved contract budgets, and a low allowable indirect cost rate chargeable to programs. During the fiscal year ended June 30, 2021, all HASA sites and DHS billing sites which contributed to the net deficit were closed.

The Organization continues to implement cost cutting measures and will continue to pursue them in fiscal year 2024 and beyond. The Board and management are reviewing all program sites for fiscal viability and mission congruence. The following are the significant initiatives that management is continuously working on to improve its current operations.

- The Organization submitted its Indirect Cost Rate (“ICR”) Delta Template to the City of New York for renewal for fiscal years 2024 through 2027. The Organization received a notification from the City Implementation Team that the Organization’s ICR Delta Template and requested ICR of 16.99% have been accepted. This new ICR rate will significantly improve the current financial condition.
- During fiscal year 2023, the Organization experienced program growth in several ways. The Organization was deemed the provider for five new commercial hotel sites to aid New York City with its challenges in accommodating the growing immigrant population and their need for adequate housing. These new sites are supported with annual budgets of \$41.6 million. In addition, the Organization began conversion of its \$29 million EHP program to be 100% managed by the Organization, which will have a favorable impact to its earned administrative dollars in future years. The EHP contract has been extended for an additional three years and is expected to generate \$100 million in revenue over three years. The Organization was also awarded a new program for Building Resilience in Youth with a budget of \$750,000 for fiscal year 2023. This incremental program growth will aid the Organization in reducing the net deficit.
- During the year ended June 30, 2023, the Organization recorded an operating surplus of approximately \$539,000, which was a result of the changes noted above and implementation of management plans from prior years.

The Organization has a plan to raise funds without restrictions to address the deficit, however, there cannot be any assurance that the Organization will be successful in its efforts. Management has hired dedicated employees for the Organization’s Corporate Development team during fiscal year 2024. The Organization is currently recruiting prominent board members established in the Bronx to help with its fundraising endeavor.

**NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through December 29, 2023, the date the financial statements were available to be issued. In August 2023, the Organization established a wholly owned subsidiary, BPHN, LLC., in order to provide services in the State of Pennsylvania. As of the date of this report, there has been no activity.