

Nazareth Housing, Inc.

Financial Statements

June 30, 2020 and 2019

Independent Auditors' Report

Board of Directors Nazareth Housing, Inc.

We have audited the accompanying financial statements of Nazareth Housing, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Nazareth Housing, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

Harrison, New York
January 13, 2021

Nazareth Housing, Inc.

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS		
Cash	\$ 602,589	\$ 582,900
Accounts receivable	878,355	291,987
Contributions receivable	226,237	166,121
Other receivables	80,045	81,731
Prepaid expenses	80,797	29,892
Investments	1,176,610	1,132,273
Due from affiliate	73,037	78,046
Property and equipment, net	135,232	166,108
	\$ 3,252,902	\$ 2,529,058
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 130,793	\$ 82,566
Loans payable	450,000	-
Refundable advances	115,919	105
City of New York Payable	6,778	-
Total Liabilities	703,490	82,671
Net Assets		
Without donor restrictions	2,426,138	2,395,234
With donor restrictions	123,274	51,153
Total Net Assets	2,549,412	2,446,387
	\$ 3,252,902	\$ 2,529,058

See notes to financial statements

Nazareth Housing, Inc.

Statements of Activities

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Program service revenue	\$ 1,861,494	\$ -	\$ 1,861,494	\$ 1,678,156	\$ -	\$ 1,678,156
Grants and contributions	612,568	165,000	777,568	411,674	-	411,674
Property management fees	152,208	-	152,208	152,208	-	152,208
Special events, net of \$0 and \$114,300 in expenses	21,046	-	21,046	212,707	-	212,707
Donated services	75,832	-	75,832	173,443	-	173,443
Investment income	40,369	-	40,369	15,302	-	15,302
Miscellaneous income	562	-	562	1,827	-	1,827
Net assets released from restrictions	<u>92,879</u>	<u>(92,879)</u>	<u>-</u>	<u>20,442</u>	<u>(20,442)</u>	<u>-</u>
Total Revenue and Support	<u>2,856,958</u>	<u>72,121</u>	<u>2,929,079</u>	<u>2,665,759</u>	<u>(20,442)</u>	<u>2,645,317</u>
EXPENSES						
Program services	2,303,932	-	2,303,932	2,026,772	-	2,026,772
Management and general	201,761	-	201,761	222,471	-	222,471
Development and fundraising	<u>244,529</u>	<u>-</u>	<u>244,529</u>	<u>232,455</u>	<u>-</u>	<u>232,455</u>
Total Expenses	<u>2,750,222</u>	<u>-</u>	<u>2,750,222</u>	<u>2,481,698</u>	<u>-</u>	<u>2,481,698</u>
Change in Net Assets Before Contributed Legal Services	106,736	72,121	178,857	184,061	(20,442)	163,619
Contributed legal services	<u>75,832</u>	<u>-</u>	<u>75,832</u>	<u>173,443</u>	<u>-</u>	<u>173,443</u>
Change in Net Assets	30,904	72,121	103,025	10,618	(20,442)	(9,824)
NET ASSETS						
Beginning of year	<u>2,395,234</u>	<u>51,153</u>	<u>2,446,387</u>	<u>2,384,616</u>	<u>71,595</u>	<u>2,456,211</u>
End of year	<u>\$ 2,426,138</u>	<u>\$ 123,274</u>	<u>\$ 2,549,412</u>	<u>\$ 2,395,234</u>	<u>\$ 51,153</u>	<u>\$ 2,446,387</u>

See notes to financial statements

Nazareth Housing, Inc.

Statement of Functional Expenses

Year Ended June 30, 2020
(with comparative totals for year ended 2019)

	Program Services			Supporting Services		2020 Total	2019 Total
	City of New York Department of Homeless Services	Other Program Services	Total Program Services	Management and General	Development and Fundraising		
Salaries and wages	\$ 590,519	\$ 491,557	\$ 1,082,076	\$ 61,472	\$ 181,672	\$ 1,325,220	\$ 1,111,219
Employees health and welfare benefits	70,528	82,116	152,644	11,553	19,180	183,377	128,272
Payroll taxes and related expenses	44,954	34,977	79,931	21,515	13,898	115,344	100,100
Total Salaries and Related Expenses	<u>706,001</u>	<u>608,650</u>	<u>1,314,651</u>	<u>94,540</u>	<u>214,750</u>	<u>1,623,941</u>	<u>1,339,591</u>
Shelter apartment rental	95,706	-	95,706	-	-	95,706	95,706
Consultants and contracted security	418,018	500	418,518	29,775	1,531	449,824	436,172
Professional services	8,608	-	8,608	25,511	-	34,119	59,868
Office supplies	9,152	4,680	13,832	2,456	5,140	21,428	108,237
Telephone	11,789	6,689	18,478	3,367	1,275	23,120	22,187
Postage	394	170	564	498	1,852	2,914	1,887
Office rental	18,265	18,265	36,530	5,633	5,633	47,796	46,224
Transportation	2,563	1,113	3,676	4,171	89	7,936	3,160
Program expense	37,288	183,963	221,251	19,891	13,794	254,936	280,131
Repair and maintenance	65,351	7,291	72,642	855	465	73,962	42,558
Shelter utilities	40,192	-	40,192	-	-	40,192	44,503
Grants and assistance to others	-	450	450	-	-	450	48,500
Insurance	31,961	5,777	37,738	4,196	-	41,934	36,388
Miscellaneous	-	198	198	890	-	1,088	743
Total Other Expenses	<u>739,287</u>	<u>229,096</u>	<u>968,383</u>	<u>97,243</u>	<u>29,779</u>	<u>1,095,405</u>	<u>1,226,264</u>
Total Expenses Before Depreciation and Amortization and Contributed Legal Services	1,445,288	837,746	2,283,034	191,783	244,529	2,719,346	2,565,855
Depreciation	20,898	-	20,898	9,978	-	30,876	29,505
Special events	-	-	-	-	-	-	(113,662)
Total Expenses	<u>\$ 1,466,186</u>	<u>\$ 837,746</u>	<u>\$ 2,303,932</u>	<u>\$ 201,761</u>	<u>\$ 244,529</u>	<u>\$ 2,750,222</u>	<u>\$ 2,481,698</u>

See notes to financial statements

Nazareth Housing, Inc.

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services			Supporting Services			2019 Total
	City of New York Department of Homeless Services	Other Program Services	Total Program Services	Management and General	Development and Fundraising	Special Events	
Salaries and wages	\$ 466,330	\$ 372,950	\$ 839,280	\$ 100,369	\$ 171,570	\$ -	\$ 1,111,219
Employees health and welfare benefits	67,401	43,919	111,320	6,403	10,549	-	128,272
Payroll taxes and related expenses	47,581	24,426	72,007	14,068	14,025	-	100,100
Total Personnel Services	<u>581,312</u>	<u>441,295</u>	<u>1,022,607</u>	<u>120,840</u>	<u>196,144</u>	<u>-</u>	<u>1,339,591</u>
Shelter apartment rental	95,706	-	95,706	-	-	-	95,706
Consultants and contracted security	385,751	250	386,001	39,060	11,111	-	436,172
Professional Fees	952	-	952	23,248	8,668	27,000	59,868
Office supplies	19,033	3,896	22,929	1,932	1,726	81,650	108,237
Telephone	14,750	5,931	20,681	1,506	-	-	22,187
Postage	841	14	855	127	387	518	1,887
Office rental	17,748	17,748	35,496	5,364	5,364	-	46,224
Transportation	2,161	50	2,211	461	488	-	3,160
Program expense	61,600	189,661	251,261	15,809	8,567	4,494	280,131
Repair and maintenance	42,021	518	42,539	19	-	-	42,558
Utilities	44,503	-	44,503	-	-	-	44,503
Grants and assistance to others	-	48,500	48,500	-	-	-	48,500
Insurance	27,961	4,835	32,796	3,592	-	-	36,388
Miscellaneous	2	206	208	535	-	-	743
Total Other Expenses	<u>713,029</u>	<u>271,609</u>	<u>984,638</u>	<u>91,653</u>	<u>36,311</u>	<u>113,662</u>	<u>1,226,264</u>
Total Expenses Before Depreciation and Amortization and Contributed Legal Services	1,294,341	712,904	2,007,245	212,493	232,455	113,662	2,565,855
Depreciation and amortization	19,527	-	19,527	9,978	-	-	29,505
Special events	-	-	-	-	-	(113,662)	(113,662)
Total Expenses	<u>\$ 1,313,868</u>	<u>\$ 712,904</u>	<u>\$ 2,026,772</u>	<u>\$ 222,471</u>	<u>\$ 232,455</u>	<u>\$ -</u>	<u>\$ 2,481,698</u>

See notes to financial statements

Nazareth Housing, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 103,025	\$ (9,824)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	30,876	29,505
Unrealized gain on investments	(40,297)	(15,220)
Changes in operating assets and liabilities		
Accounts receivable	(586,368)	923,518
Contributions receivable	(60,116)	(27,043)
Other receivables	1,686	(70,965)
Prepaid expenses	(50,905)	(12,762)
Due from affiliate	5,009	4,991
Accounts payable and accrued expenses	48,227	(61,543)
City of New York Payable	6,778	-
Deferred income	115,814	(10,000)
Net Cash from Operating Activities	(426,271)	750,657
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	4,139	239,851
Purchase of investments	(8,179)	(565,482)
Net Cash from Investing Activities	(4,040)	(325,631)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds	450,000	-
Net Change in Cash	19,689	425,026
CASH AND CASH EQUIVALENTS		
Beginning of year	582,900	157,874
End of year	\$ 602,589	\$ 582,900

See notes to financial statements

Nazareth Housing, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization

Nazareth Housing, Inc. (the "Organization") is a New York State non-profit corporation established to provide temporary and permanent housing to those individuals and families in financial need in New York City.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

Effective July 1, 2019, the Organization adopted new U.S. GAAP revenue recognition guidance which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, and supersedes most current revenue guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgements made by entities when following this framework. Adoption of the new guidance resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to prior audited financial statement disclosures were required on a modified retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Effective July 1, 2019, the Organization adopted new U.S. GAAP guidance Accounting Standards Update (ASU) 2018-08 Contributions Received and Contributions Made. The ASU provides a framework for evaluating whether grants or contributions should be accounted for as exchange transactions or as non-exchange transactions. Adoption of the ASU resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to prior audited financial statements were required on a modified retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Nazareth Housing, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies *(continued)*

Classes of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions – Assets subject to usage limitations based on donor- imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may be need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

Cash

At times, cash deposits may exceed federally insured limits of the financial institution and expose the Organization to credit risk. The Organization believes it is not exposed to any significant risk of loss on these funds.

As of June 30, 2020 and 2019, approximately \$160,000 and \$320,000 of cash was maintained with an institution in excess of Federal Deposit Insurance Corporation limits.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in accounts receivable. As of June 30, 2020 and 2019, no allowance for doubtful accounts has been deemed necessary.

Nazareth Housing, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives. Expenditures for maintenance and repairs are expensed as incurred. Expenditures that improve or extend the estimated useful lives are capitalized. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or term of the lease inclusive of expected renewals.

Furniture, fixtures and equipment	3-7 years
Leasehold improvements	9-10 years

Revenue Recognition

The Organization receives government contracts and private grants, which are reviewed to determine if they contain traits more similar to contributions or exchange transactions. For those contracts and grants that have been determined to be exchange transactions, revenue is recognized when earned. The difference between grants earned and cash received is recorded as either contracts and grants receivables or deferred income.

Contract or grant revenue is recognized for these programs as expenses are incurred up to the maximum of the contract or grant award.

In-kind Contributions

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

Members of the governing board and other volunteers donate time to provide managerial and fund-raising services used in the administration of the Organization, which are not recognized since the above recognition criteria are not met.

Special Events

Revenues and expenses incurred relative to special events are recognized upon occurrence of the respective event. Revenues are shown net of costs of direct benefits to donors.

Nazareth Housing, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements

The Organization follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investment Valuation and Income Recognition

Investments are carried at fair value. Certificates of deposits are stated at cost plus accrued interest, which approximates fair value. Investments are comprised of money market accounts invested in a Federal Deposit Insurance Corporation ('FDIC') Insured Bank Deposit Program managed by STIFEL Bank & Trust. Such deposits may be held at several banks to ensure that FDIC maximum insurance coverage limits are not exceeded. In-kind contributions of stocks or other financial assets are sold immediately so that the settlement of the contribution equals the trade date of the sale transaction.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged. Accordingly, certain costs have been allocated among programs and supporting services benefited based on management's assessment of the benefit derived.

Income Taxes

The Organization is qualified as a tax exempt organization under Section 501(c)(3) of the Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Code. Accordingly, no provision for federal or state income taxes has been made.

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2017.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition through the date that the financial statements were available to be issued, which date is January 13, 2021.

Nazareth Housing, Inc.

Notes to Financial Statements June 30, 2020 and 2019

3. Investments and Investment Return

The following are major categories of investments measured at fair value as of June 30, all classified as Level 1 by the fair value hierarchy, for those assets measured at fair value.

Investments in certificates of deposits have maturity dates over 12 months from year end. Investments consist of the following:

	<u>2020</u>	<u>2019</u>
Money market fund	\$ 207,043	\$ 1,172
Certificates of deposit	<u>969,567</u>	<u>1,131,101</u>
Total Investments at Fair Value	<u>\$ 1,176,610</u>	<u>\$ 1,132,273</u>

There were no transfers between Level 1 and 2 of the fair value hierarchy during 2019 and 2020.

Total investment return consists of the following for the year ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividends from investments	\$ 72	\$ 82
Realized and unrealized gain on investments	<u>40,297</u>	<u>15,220</u>
	<u>\$ 40,369</u>	<u>\$ 15,302</u>

4. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Furniture, fixtures and equipment	\$386,154	\$386,154
Leasehold improvements	107,307	107,307
Accumulated depreciation and amortization	<u>(358,229)</u>	<u>(327,353)</u>
	<u>\$135,232</u>	<u>\$166,108</u>

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 is \$30,876 and \$29,505.

Nazareth Housing, Inc.

Notes to Financial Statements June 30, 2020 and 2019

5. Loans

On April 8, 2020, the Organization received loan proceeds in the amount of \$100,000 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries above a certain threshold during the Covered Period and does not qualify for certain safe harbors. Although, the Organization believes this loan will be substantially or fully forgiven, there can be no guarantee that the United States Small Business Administration ("SBA") will approve the loan forgiveness. The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the PPP loan with a deferral of payments of principal or interest until the amount of loan forgiveness is determined by the SBA. If the Organization does not apply for forgiveness, payments begin approximately 16 months after the loan date. As of June 30, 2020, the PPP loan is recognize as a debt on the statements of financial position. The Organization will recognize the income from the forgiveness of the PPP loan when it receives the notification of forgiveness from SBA in accordance with Accounting Standards Codification 470 Debt.

On June 24, 2020, the Organization received loan proceeds in the amount of \$350,000 from the NYC COVID-19 Response & Impact Fund – NFF Loan Fund. Repayment on the loan is to be made with three equal quarterly payments beginning month 18. The loan bears no interest and is payable in full upon maturity, May 24, 2022.

6. Net Assets with Donor Restrictions

Net Assets with donor restrictions available for various programs or purposes and were expended and released from restrictions during the years ended June 30:

Program/Purpose	2020			
	Beginning Balance	Additions	Releases	End Balance
COVID-19	\$ -	\$ 90,000	\$ (10,476)	\$ 79,524
HSSP	-	75,000	(31,250)	43,750
LESReady!	51,153	-	(51,153)	-
	\$ 51,153	\$165,000	\$ (92,879)	\$ 123,274
Program/Purpose	2019			
	Beginning Balance	Additions	Releases	End Balance
LESReady!	\$ 71,595	\$ -	\$ (20,442)	\$ 51,153

Nazareth Housing, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

7. Lease Agreements

Office Spaces

The Organization entered into an extended lease for office space at 519 E. 11th Street through December 31, 2020. Rent expense was \$33,402 and \$32,271 in 2020 and 2019.

The Organization also entered into a facilities use agreement for office space at 137 E. 2nd Street with Catholic Charities of the Archdiocese of New York expired June 2017, at which time Organization began rental payments on a month to month basis. Rent expense was \$11,265 and \$10,729 in 2020 and 2019.

Shelter Apartments

As part of its mission, the Organization has entered into apartment lease agreements with its affiliates Nazareth House Housing Development Fund Corporation ("Nazareth HDFC") and 721 East 6th Street Housing Development Fund Corporation ("721 E 6th HDFC") for total of eight shelter apartments for families participating in the New York City shelter system. Leases for these apartments are renewed on an annual basis.

Additional shelter apartment rents were paid to non-affiliated parties by the Organization under leases with an expiration date of December 30, 2087. This lease can be cancelled at any time by the Organization without penalty. The rents are reimbursed through funds received from the City of New York Department of Homeless Services.

For the years ended June 30, 2020 and 2019 shelter apartment rental expense was \$95,706. These amounts include the following payments to the Organization's affiliates:

	2020	2019
Nazareth HDFC	\$ 25,970	\$ 25,970
721 E 6th HDFC	53,104	53,104
	<u>\$ 79,074</u>	<u>\$ 79,074</u>

Future minimum lease commitments for the office spaces and shelter apartments are as follows:

	Shelter Apartments	
	Non-affiliated	Affiliated
2021	\$ 16,632	\$ 79,865
2022	16,632	-
2023	16,632	-
2024	16,632	-
2025	16,632	-
Thereafter	1,031,184	-
	<u>\$ 1,114,344</u>	<u>\$ 79,865</u>

Nazareth Housing, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

8. Transactions with Related Parties (*not disclosed elsewhere*)

Shelter Program

The Organization utilizes a building owned by one of its affiliates, Crotona Thorpe HDFC, to operate one of its shelter programs. Although there is no lease agreement, the Organization pays for all capital improvements and operating costs of the building.

Due from Affiliate

Due from affiliate consists of advances by the Organization to Nazareth HDFC for the renovation cost, and property insurance for, a building located on East 4th Street in lower Manhattan. The site consists of 13 units of permanent housing and 2 units of transitional housing for qualified tenants. The Board of Directors of both organizations have established a periodic repayment policy as funds to repay the loan become available.

For 2020 and 2019, the Board approved a \$5,000 reduction of the debt by grant assistance to Nazareth HDFC. As of June 30, 2020 and 2019 \$73,037 and \$78,046 was outstanding. Interest is not charged on the outstanding amount.

Contributions by Board Members

During the years ended June 30, 2020 and 2019 the Organization received contributions from members of the Board of Directors totaling \$91,186 and \$123,265. These contributions are reported as components of individual contributions.

Management Fees Income

The Organization has entered into property management service agreements with its affiliates to manage their property, administrative and operating activities. These agreements shall be automatically renewed on an annual basis. At June 30, 2020 and 2019, \$152,208 was recognized as revenue.

9. Line of Credit

The Organization has a secured revolving line of credit agreement with JP Morgan Chase Bank with a maximum borrowing of \$100,000 and interest at the prime rate plus 1.35%. No amount was outstanding on the line of credit at June 30, 2020 and 2019.

10. Retirement Plan

The Organization participates in a multi-employer 403(b) retirement savings plan for eligible employees. Employees can elect to defer up to the maximum allowed by the Internal Revenue Code per year to the plan. The Organization makes contributions to the Plan on a discretionary basis, during the years ended June 30, 2020 and 2019 the Organization contributed to the plan \$1,500 and \$1,410.

Nazareth Housing, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

11. Liquidity and Availability of Financial Assets

The Organization's financial assets available within one year of the statements of financial position date for general expenditures are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Cash	\$ 602,589	\$ 582,900
Accounts receivable	878,355	291,987
Contributions receivable	226,237	166,121
Other receivables	80,045	81,731
Investments	1,176,610	1,132,273
Net assets with donor imposed restrictions	<u>(123,274)</u>	<u>(51,153)</u>
Total Available Financial Assets	<u>\$ 2,840,562</u>	<u>\$ 2,203,859</u>

At June 30, 2020 and 2019, the Organization had an available revolving line of credit of \$100,000 for working capital. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

12. Operating Risk

The coronavirus outbreak may have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

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