

Nazareth Housing, Inc.

Financial Statements

June 30, 2023 and 2022

Independent Auditors' Report

Board of Directors
Nazareth Housing, Inc.

Opinion

We have audited the accompanying financial statements of Nazareth Housing, Inc. (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 financial statements referred to above present fairly, in all material respects, the financial position of Nazareth Housing, Inc. as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Nazareth Housing, Inc. 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization adopted Financial Accounting Standard Board ("FASB") Topic 842, *Leases*, using the effective date method of July 1, 2022 as the date of initial adoption. Our opinion is not modified with respect to that 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 Nazareth Housing, Inc.'s ability to continue as a going concern within 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 generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 Nazareth Housing, Inc.'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 Nazareth Housing, Inc.'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.

PKF O'Connor Davies, LLP

Harrison, New York
April 2, 2024

Nazareth Housing, Inc.

Statements of Financial Position

	June 30,	
	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 488,350	\$ 433,302
Accounts receivable, net	1,454,891	1,263,888
Contributions receivable	342,198	170,150
Prepaid expenses	20,556	58,956
Investments	1,221,663	1,202,655
Due from affiliates	328,868	109,823
Security deposits	5,200	5,200
Property and equipment, net	157,918	168,020
Right of use operating lease asset	130,399	-
	<u>\$ 4,150,043</u>	<u>\$ 3,411,994</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 122,910	\$ 68,592
Advances on government contracts	268,703	244,643
City of New York payable	5,606	5,606
Deferred income	-	37,500
Right of use operating lease liability	131,162	-
Total Liabilities	<u>528,381</u>	<u>356,341</u>
Net Assets		
Without donor restrictions	3,145,538	2,814,615
With donor restrictions	476,124	241,038
Total Net Assets	<u>3,621,662</u>	<u>3,055,653</u>
	<u>\$ 4,150,043</u>	<u>\$ 3,411,994</u>

Nazareth Housing, Inc.

Statements of Activities

Year Ended June 30,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Government grants	\$ 2,456,411	\$ -	\$ 2,456,411	\$ 1,942,548	\$ -	\$ 1,942,548
Grants and contributions	684,284	524,875	1,209,159	865,819	265,000	1,130,819
Fundraising events, net of direct benefit to donors, of \$135,607 and \$84,681	449,603	-	449,603	362,958	-	362,958
Property management fees	120,708	-	120,708	139,083	-	139,083
Donated services	82,667	-	82,667	21,033	-	21,033
Investment income (loss)	19,008	-	19,008	(39,953)	-	(39,953)
Miscellaneous income	41,898	-	41,898	8,108	-	8,108
Net assets released from restrictions	289,789	(289,789)	-	154,167	(154,167)	-
Total Revenue and Support	4,144,368	235,086	4,379,454	3,453,763	110,833	3,564,596
EXPENSES						
Program services	2,826,613	-	2,826,613	2,441,362	-	2,441,362
Management and general	575,935	-	575,935	443,403	-	443,403
Development and fundraising	328,230	-	328,230	200,455	-	200,455
Total Expenses	3,730,778	-	3,730,778	3,085,220	-	3,085,220
Change in Net Assets Before Loan Forgiveness and Contributed Legal Services	413,590	235,086	648,676	368,543	110,833	479,376
PPP loan forgiveness	-	-	-	100,000	-	100,000
Contributed legal services	(82,667)	-	(82,667)	(21,033)	-	(21,033)
Change in Net Assets	330,923	235,086	566,009	447,510	110,833	558,343
NET ASSETS						
Beginning of year	2,814,615	241,038	3,055,653	2,367,105	130,205	2,497,310
End of year	\$ 3,145,538	\$ 476,124	\$ 3,621,662	\$ 2,814,615	\$ 241,038	\$ 3,055,653

See notes to financial statements

Nazareth Housing, Inc.

Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services			Supporting Services			Total
	City of New York Department of Homeless Services	Other Program Services	Total Program Services	Management and General	Development and Fundraising	Direct Costs of Fundraising Events	
Salaries and wages	\$ 465,347	\$ 682,508	\$ 1,147,855	\$ 249,828	\$ 193,947	\$ -	\$ 1,591,630
Employee health and welfare benefits	61,654	103,641	165,295	10,985	34,665	-	210,945
Payroll taxes and related expenses	20,893	44,739	65,632	70,512	9,306	-	145,450
Total Salaries and Related Expenses	<u>547,894</u>	<u>830,888</u>	<u>1,378,782</u>	<u>331,325</u>	<u>237,918</u>	<u>-</u>	<u>1,948,025</u>
Consultants and contracted security	637,843	-	637,843	92,633	6,200	-	736,676
Professional services	10,500	23,819	34,319	114,656	3,305	27,500	179,780
Office supplies	8,139	7,125	15,264	3,768	4,770	-	23,802
Telephone	6,874	11,324	18,198	5,027	4,665	-	27,890
Postage	14	567	581	774	1,992	-	3,347
Office rental	-	48,000	48,000	18,133	17,370	49,800	133,303
Transportation	388	19,359	19,747	6,795	437	-	26,979
Office expense	-	4,531	4,531	4,597	16,521	-	25,649
Computer equipment, software and IT support	7,542	36,744	44,286	25,069	15,638	15,635	100,628
Supplies and meals	4,486	15,157	19,643	87	128	42,672	62,530
Client assistance food, rental arrears and other	8,502	384,808	393,310	-	1,300	-	394,610
Membership fees, training and development	-	2,010	2,010	4,610	70	-	6,690
Recruitment and advertising	2,100	7,954	10,054	4,800	-	-	14,854
Bank charges and fees	9,065	(8,986)	79	434	11,070	-	11,583
Repair and maintenance	87,893	1,582	89,475	3,089	765	-	93,329
Shelter utilities	45,686	6,795	52,481	1,535	1,321	-	55,337
Grants and assistance to others	-	-	-	10,300	-	-	10,300
Insurance	20,530	7,915	28,445	5,839	2,366	-	36,650
Miscellaneous	5	13	18	4,890	26	-	4,934
Bad debt expense	7,000	-	7,000	-	-	-	7,000
Total Other Expenses	<u>856,567</u>	<u>568,717</u>	<u>1,425,284</u>	<u>307,036</u>	<u>87,944</u>	<u>135,607</u>	<u>1,955,871</u>
Total Expenses Before Depreciation and Amortization	1,404,461	1,399,605	2,804,066	638,361	325,862	135,607	3,903,896
Depreciation and amortization	-	22,547	22,547	20,241	2,368	-	45,156
Total Expenses	1,404,461	1,422,152	2,826,613	658,602	328,230	135,607	3,949,052
Expenses deducted directly from revenues on the statement of activities							
Contributed legal services	-	-	-	(82,667)	-	-	(82,667)
Direct cost of special events	-	-	-	-	-	(135,607)	(135,607)
Total Expenses	<u>\$ 1,404,461</u>	<u>\$ 1,422,152</u>	<u>\$ 2,826,613</u>	<u>\$ 575,935</u>	<u>\$ 328,230</u>	<u>\$ -</u>	<u>\$ 3,730,778</u>

See notes to financial statements

Nazareth Housing, Inc.

Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services			Supporting Services			Total
	City of New York Department of Homeless Services	Other Program Services	Total Program Services	Management and General	Development and Fundraising	Direct Costs of Fundraising Events	
Salaries and wages	\$ 414,089	\$ 663,929	\$ 1,078,018	\$ 289,714	\$ 143,978	\$ -	\$ 1,511,710
Employee health and welfare benefits	57,139	92,811	149,950	11,164	1,175	-	162,289
Payroll taxes and related expenses	30,416	44,045	74,461	24,377	11,034	-	109,872
Total Salaries and Related Expenses	<u>501,644</u>	<u>800,785</u>	<u>1,302,429</u>	<u>325,255</u>	<u>156,187</u>	<u>-</u>	<u>1,783,871</u>
Consultants and contracted security	444,215	-	444,215	24,000	-	-	468,215
Professional services	8,700	-	8,700	36,120	-	27,000	44,820
Office supplies	8,975	13,159	22,134	4,073	2,361	-	28,568
Telephone	6,359	12,154	18,513	3,460	2,842	-	24,815
Postage	-	100	100	817	12	-	929
Office rental	-	35,681	35,681	10,712	10,712	43,921	57,105
Transportation	219	2,272	2,491	9,024	572	-	12,087
Office expense	3,497	1,741	5,238	2,809	9,525	-	17,572
Computer equipment, software and IT support	14,169	40,138	54,307	17,572	5,543	9,518	77,422
Supplies and meals	3,321	11,144	14,465	-	-	580	14,465
Client assistance food, rental arrears and other	11,572	308,131	319,703	-	-	-	319,703
Membership fees, training and development	94	2,109	2,203	2,919	694	-	5,816
Recruitment and advertising	3,212	6,349	9,561	1,176	960	-	11,697
Bank charges and fees	-	-	-	525	6,316	-	6,841
Repair and maintenance	96,027	8,395	104,422	4,147	4,071	-	112,640
Shelter utilities	46,521	-	46,521	-	-	-	46,521
Grants and assistance to others	-	-	-	5,000	-	-	5,000
Insurance	19,385	13,330	32,715	5,403	-	-	38,118
Miscellaneous	231	192	423	1,855	35	-	2,313
Total Other Expenses	<u>666,497</u>	<u>454,895</u>	<u>1,121,392</u>	<u>129,612</u>	<u>43,643</u>	<u>81,019</u>	<u>1,375,666</u>
Total Expenses Before Depreciation and Amortization	1,168,141	1,255,680	2,423,821	454,867	199,830	81,019	3,159,537
Depreciation and amortization	17,451	90	17,541	9,569	625	-	27,735
Total Expenses	<u>1,185,592</u>	<u>1,255,770</u>	<u>2,441,362</u>	<u>464,436</u>	<u>200,455</u>	<u>81,019</u>	<u>3,187,272</u>
Expenses deducted directly from revenues on the statement of activities							
Contributed legal services	-	-	-	(21,033)	-	-	(21,033)
Direct cost of special events	-	-	-	-	-	(81,019)	(81,019)
Total Expenses	<u>\$ 1,185,592</u>	<u>\$ 1,255,770</u>	<u>\$ 2,441,362</u>	<u>\$ 443,403</u>	<u>\$ 200,455</u>	<u>\$ -</u>	<u>\$ 3,085,220</u>

See notes to financial statements

Nazareth Housing, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 566,009	\$ 558,343
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	45,156	27,735
Bad debt expense	7,000	-
Non cash lease expense	78,759	-
Realized and unrealized loss on investments	28,335	60,784
PPP loan forgiveness	-	(100,000)
Changes in operating assets and liabilities		
Accounts receivable	(198,003)	(588,795)
Contributions receivable	(172,048)	(85,500)
Prepaid expenses	38,400	36,711
Security deposits	-	(5,200)
Accounts payable and accrued expenses	54,318	(26,236)
City of New York payable	-	932
Refundable advances	24,060	-
Deferred income	(37,500)	37,502
Operating lease liability	(77,996)	-
	356,490	(83,724)
Net Cash from Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(35,054)	(89,653)
Due from affiliate	(219,045)	(38,344)
Proceeds from sale of investments	490,388	24,934
Purchase of investments	(537,731)	(65,873)
	(301,442)	(168,936)
Net Cash from Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayment	-	(350,000)
	55,048	(602,660)
Net Change in Cash		
CASH		
Beginning of year	433,302	1,035,962
End of year	\$ 488,350	\$ 433,302

See notes to financial statements

Nazareth Housing, Inc.

Notes to Financial Statements June 30, 2023 and 2022

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.

Nazareth Housing is a community-based organization committed to the promotion of housing stability and economic mobility among vulnerable families and individuals of New York City, through the provision of homelessness prevention services, emergency family shelter, supportive housing, and urgent needs assistance. The Organization provides the following services:

- Help for New Yorkers seeking stable housing through the provision of shelter, supportive housing, and assistance applying for affordable housing lotteries.
- Referral to a robust network of services that enables families to cope with challenges such as domestic violence, mental health, unemployment and childcare.
- Access to two weekly food pantries for those grappling with food insecurity.
- Financial coaching for families looking to repair their credit and save for the future.

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. Some of the more significant estimates required to be made by management include allowance for doubtful receivables and depreciation expense.

Recently Adopted Accounting Standards

Leases

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842), which created new accounting and reporting guidelines for leasing arrangements. The new guidance requires organizations that lease assets to recognize assets and liabilities on the statement of financial position related to the rights and obligations created by those leases, regardless of whether they are classified as finance or operating leases. Consistent with current guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease primarily will depend on its classification as a finance or operating lease. The guidance also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases.

Nazareth Housing, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

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

Recently Adopted Accounting Standards (continued)

The Organization adopted the requirements of the new standard, using the modified retrospective transition method, which applies the provisions of the standard at the effective date without any adjustment to the comparative periods presented.

The Organization adopted the following practical expedients and elected the following accounting policies related to this standard:

- Carry forward of historical lease classifications and accounting treatment;
- Short-term lease accounting policy election allowing lessees to not recognize right-of-use assets and liabilities for leases with a term of 12 months or less; and
- The option to not separate lease and non-lease components for certain equipment lease categories such as office printers and copiers.

As a result of the new accounting guidance on July 1, 2022, the Organization recognized an operating lease liability and related right of use asset of \$209,158, that represents the present value of the remaining lease payments of \$216,758 discounted using the risk-free rates in effect for the terms of active leases at the date of adoption.

Net Asset Presentation

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 require the assets to be maintained in perpetuity.

Earnings related to restricted net assets are 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.

Nazareth Housing, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

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

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. At June 30, 2023, the allowance for doubtful accounts totaled \$7,000. At June 30, 2022, no allowance for doubtful accounts has been deemed necessary.

Contributions Receivable

The Organization discounts pledges that are expected to be collected beyond one year using a risk adjusted rate to estimate present value. All receivables are expected to be received within the next year.

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. Items with an acquisition cost of less than \$1,000 or a useful life of less than one year are expensed in the year purchased. Maintenance, repairs, and minor renewals are expensed as incurred. 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

Revenue received from cost-reimbursable government contracts and private grants which are conditioned upon certain performance requirements or incurring qualified allowable expenses. Amounts received are recognized as revenue when allowable expenditures are incurred. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give that are due beyond one year are discounted to reflect the present value of future cash flows using a risk adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Conditional promises to give are recognized when the conditions upon which they depend have been substantially met.

Nazareth Housing, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

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 fundraising services used in the administration of the Organization, which are not recognized since the above recognition criteria are not met.

Management Fee Revenue

Management fee revenue is recognized based on the costs associated with property administration, personnel costs associated with building operations, and finance staff dedicated to the building, as well as related ancillary costs such as mobile phones and equipment. The Organization provides management and superintendent services with its affiliates.

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.

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. 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.

Nazareth Housing, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

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

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (“ROU”) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense in the period incurred. ROU assets represent the right to use an underlying asset for the lease term and are recognized in an amount equal to the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The present value of the lease liability is determined using the risk-free discount rate at lease inception for operating leases.

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. Employees health and welfare benefits, payroll taxes and payroll related expenses have been allocated among program and supporting service classifications on the basis of salary percentages. Insurance, depreciation and rent expenses are allocated based on the percentage on the square footage of the program and supporting service benefited.

Operating Measure

The statements of activities separately report changes in net assets from operating and non-operating activities. Operating activities consist principally of revenues and expenses related to ongoing activities. Non-operating activities consist of PPP loan forgiveness and contributed legal services.

Income Taxes

The Organization is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Service Code (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 years prior to 2020.

Reclassifications

Certain items for the 2022 financial statements have been reclassified to be in conformity with the 2023 financial statements presentation.

Nazareth Housing, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

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

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 2, 2024.

3. Investments and Investment Return (Loss)

Cash and cash equivalents include certain investments in highly liquid debt instruments with a maturity date of three months or less at the time of purchase, in addition to certificates of deposits that have maturity dates under 12 months from year end. Cash and cash equivalents are valued outside of the fair value hierarchy. Certificates of deposits are valued using level 2 inputs based on the discounted value of contractual cash flows estimated using rates offered for similar deposits of similar remaining maturities.

The following are major categories of investments measured at fair value at June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 380,127	\$ 605,622
Certificates of deposit (level 2)	<u>841,536</u>	<u>597,033</u>
	<u>\$ 1,221,663</u>	<u>\$ 1,202,655</u>

Total investment return (loss) consists of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Interest and dividends from investments	\$ 47,343	\$ 20,831
Realized and unrealized loss/gain on investments	<u>(28,335)</u>	<u>(60,784)</u>
	<u>\$ 19,008</u>	<u>\$ (39,953)</u>

4. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Furniture, fixtures and equipment	\$ 504,441	\$ 469,387
Leasehold improvements	113,727	113,727
Accumulated depreciation and amortization	<u>(460,250)</u>	<u>(415,094)</u>
	<u>\$ 157,918</u>	<u>\$ 168,020</u>

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 is \$45,156 and \$27,735.

Nazareth Housing, Inc.

Notes to Financial Statements
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5. Net Assets with Donor Restrictions

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

Program/Purpose	2023			
	Beginning			Ending
	Balance	Additions	Releases	Balance
HSSP	\$ 58,333	\$ 300,000	\$ (148,333)	\$ 210,000
Louise's Pantry	182,705	224,875	(141,456)	266,124
	\$ 241,038	\$ 524,875	\$ (289,789)	\$ 476,124
Program/Purpose	2022			
	Beginning			Ending
	Balance	Additions	Releases	Balance
HSSP	\$ -	\$ 175,000	\$ (116,667)	\$ 58,333
Louise's Pantry	130,205	90,000	(37,500)	182,705
	\$ 130,205	\$ 265,000	\$ (154,167)	\$ 241,038

6. Donated Services

Donated services are reviewed periodically to ensure that estimates recorded reasonably reflect the estimated fair value of the contributed services. For the years ended June 30, the Organization received the following donated services:

	2023	2022	Usage in Program/Activities	Donor Restriction	Fair Value Techniques
Legal	\$82,667	\$21,033	Program Services	None	Estimated based on usual and customary rates of the vendor

7. Lease Agreements

The Organization determines whether to account for its leases as operating or financing leases depending on the underlying terms of the lease agreement. The Organization elected the practical expedient to account for non-lease components and the lease components to which they relate as a single component for all operating leases.

The Organization entered into an extended lease for office space at 519 E. 11th Street which was extended through December 31, 2024. The agreement provides for a monthly rent amount of \$2,923. The monthly rent amount will increase 4% each year over the life of the lease. The Organization entered into an additional lease for office space with Haven Plaza Square LLC at 200 Avenue C, commencing February 1, 2022 through January 31, 2024. The agreement provides for a monthly rent amount of \$4,000. The leases contain no significant restrictions.

Nazareth Housing, Inc.

Notes to Financial Statements June 30, 2023 and 2022

7. Lease Agreements (continued)

The Organization also entered into facilities use agreement for office space at 137 E. 2nd Street with Catholic Charities of the Archdiocese of New York which expired in June 2017, at which time the Organization began rental payments on a month-to-month basis. Rent expense was \$18,096 in 2022. The lease was terminated at the end of 2022.

The Organization also leases two copiers under various non-cancelable operating leases through April 2027. The agreements provide for a monthly rent amount of \$451. One of the lease terms includes an end of lease purchase option, which is not reasonably certain to exercise. Therefore, the payments associated with the purchase are not included in the ROU asset nor the lease liability recognized at June 30, 2023.

The Organization has determined that no other current contracts meet the requirements of ASU No. 2016-02.

Lease expense	
Operating lease cost	\$ 83,503

Supplemental cash flows	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 82,740

Weighted average discount rate	
Operating leases	2.85%

Weighted average remaining lease term	
Operating leases	1.60

Minimum future lease payments under the operating lease for each of the following years and in the aggregate are:

2024	\$ 83,778
2025	<u>50,240</u>
Total future minimum lease payments	134,018
Less imputed interest	<u>(2,856)</u>
Total lease liabilities	<u>\$ 131,162</u>

Rent expense on operating leases was \$54,476 for the year ended June 30, 2022.

Nazareth Housing, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

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

Loans

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 2023 and 2022, the Board approved a \$5,000 reduction of the debt by grant assistance to Nazareth HDFC. At June 30, 2023 and 2022, \$58,037 and \$63,037 was outstanding. Interest is not charged on the outstanding amount.

During the year ended June 30, 2023, a loan was made by the Organization in the amount of \$50,000 for the purpose of 721 East 6th Street HDFC to renovate its property. The loan is to be paid back to the Organization when the funds are available, if not forgiven. The loan is to be used to renovate the vacant units. For 2023, the Board approved a \$5,000 reduction of the debt by grant assistance to 721 East 6th Street HDFC. At June 30, 2023, \$45,000 was outstanding.

Due from Affiliates

Other receivables consist of expenses paid on behalf of Nazareth HDFC, 721 East 6th Street HDFC, and Park Avenue Thorpe HDFC by the Organization, the entities are related through common board membership. It is the intention of the Organization that these monies will be repaid when funds are available. Interest is not charged on these amounts. At June 30, 2023 and 2022, \$225,831 and \$46,786 was receivable at year end.

Contributions by Board Members

During the years ended June 30, 2023 and 2022, the Organization received contributions from members of the Board of Directors totaling \$197,568 and \$228,433. These contributions are reported as a component 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, 2023 and 2022, \$120,708 and \$139,083 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, 2023 and 2022.

Nazareth Housing, Inc.

Notes to Financial Statements June 30, 2023 and 2022

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 Code per year to the Plan. The Organization makes contributions to the Plan on a discretionary basis.

On December 31, 2022, the Organization's 403B plan was closed and a 401K plan was entered into for the benefit of its employees with Insperity, the professional employer organization for the Organization. Employees are eligible after completing 3 consecutive months of employment. Eligible employees can elect to defer up to the maximum allowed by the Code per year to the Plan. The Organization makes Safe Harbor matching contributions up to 3% of the eligible employee's compensation. The Organization makes additional contributions to the Plan on a discretionary basis. During the years ended June 30, 2023 and 2022, the Organization contributed to the Plan \$9,924 and \$1,300.

11. Concentrations and Risks

Risks and Uncertainties

The Organization is subject to various risks and uncertainties in the ordinary course of business that could have adverse impacts on its operating results and financial condition. Future operations could be affected by changes in the economy or other conditions in the geographical area where the property is located or by changes in federal low-income housing subsidies or the demand for such housing.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments and accounts receivable. The Organization places its cash with various financial institutions and limits the amount of credit exposure at any one financial institution. The Organization routinely assesses the diversification and financial strength of its cash and investment portfolios with the assistance of an independent investment consultant. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to \$250,000. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to \$500,000 (\$250,000 for cash holdings). At times, the cash balance may be in excess of the FDIC and/or SIPC limit. At June 30, 2023 and 2022, approximately \$376,000 and \$366,000 was maintained with an institution in excess of Federal Deposit Insurance Corporation limits. At June 30, 2023 and 2022, the Organization's had no uninsured investment holdings.

Nazareth Housing, Inc.

Notes to Financial Statements
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12. 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>2023</u>	<u>2022</u>
Cash	\$ 488,350	\$ 433,302
Accounts receivable, net	1,454,891	1,263,888
Contributions receivable	342,198	170,150
Investments	1,221,663	1,202,655
Due from affiliates	328,868	109,823
Net assets with donor imposed restrictions	<u>(476,124)</u>	<u>(241,038)</u>
Total Available Financial Assets Available within one year	<u>\$ 3,359,846</u>	<u>\$ 2,938,780</u>

At June 30, 2023 and 2022, 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.

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