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PROJECT RENEWAL, INC. AND AFFILIATES

Consolidated Financial Statements and Supplementary Information (Together with Independent Auditors' Report)

Years Ended June 30, 2022 and 2021

PROJECT RENEWAL, INC. AND AFFILIATES

**CONSOLIDATED FINANCIAL STATEMENTS
and Supplementary Information
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

Board of Trustees of
Project Renewal, Inc. and Affiliates

Opinion

We have audited the consolidated financial statements of Project Renewal, Inc. and Affiliates (the "Corporation"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audit 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 Consolidated Financial Statements* section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on 2021 Consolidated Financial Statements

The consolidated financial statements of the Project Renewal, Inc. and Affiliates as of and for the year ended June 30, 2021, were audited by another auditor whose report dated November 30, 2021, expressed an unmodified opinion on those consolidated statements.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Corporation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information (shown on pages 24 through 27), as of and for the year ended June 30, 2022, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and the change in net assets, and cash flows of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The supplementary information referred to above as of and for the year ended June 30, 2021 was subjected to the auditing procedures applied in the June 30, 2021 audit of the consolidated financial statements by another auditor, whose report on such information stated that it was fairly stated in all material respects in relation to the June 30, 2021 consolidated financial statements as a whole.

Mayer Hoffman McCann CPAs

New York, NY
December 1, 2022

PROJECT RENEWAL, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents (Notes 2E and 21)	\$ 11,947,435	\$ 16,941,420
Investments (Notes 2F and 6)	160,218	199,944
Accounts and grants receivable, net (Notes 2K and 7)	30,652,625	32,787,172
Contributions receivable, net (Notes 2K and 8)	1,021,559	1,271,377
Rent receivable, net	450,693	260,773
Due from affiliates, net (Note 11)	92,420	91,192
Prepaid expenses	999,055	916,431
Security deposits and other assets	234,052	375,916
Mortgage receivable (Note 12)	12,500,000	12,500,000
Restricted cash (Notes 2E and 4)	2,202,663	2,032,427
Assets held for others (Note 5)	143,399	127,339
Investments in rental property, net (Notes 2J and 9)	24,064,622	25,119,802
Property, equipment and leasehold improvements, net (Notes 2J and 10)	115,446,885	82,668,619
TOTAL ASSETS	\$ 199,915,626	\$ 175,292,412
LIABILITIES		
Accounts payable and accrued expenses (Notes 2L, 5 and 20B)	\$ 25,336,699	\$ 29,321,818
Accrued salaries and related liabilities (Note 18)	5,421,505	2,957,274
Accrued interest (Note 13)	5,754,246	4,996,369
Due to affiliates, net (Note 11)	3,953,712	4,438,359
Retainage payable	-	136,454
Deferred revenue / due to funding source (Note 2K)	17,478,534	15,027,624
Deferred developer's fee revenue (Note 2H)	740,432	740,432
Deferred rent (Note 2M)	7,077,322	7,064,136
Loans payable, net (Note 13)	94,467,321	83,580,416
Paycheck Protection Program loan (Note 14)	1,292,835	8,263,870
Enforcement note payable (Note 12)	12,500,000	12,500,000
TOTAL LIABILITIES	174,022,606	169,026,752
COMMITMENTS AND CONTINGENCIES (Note 20)		
NET ASSETS (Notes 2D and 16)		
Without donor restrictions:		
Operating	7,441,691	1,494,233
Non-controlling interest (Notes 2I and 19)	14,313,744	673,698
Total without donor restrictions	21,755,435	2,167,931
With donor restrictions	4,137,585	4,097,729
TOTAL NET ASSETS	25,893,020	6,265,660
TOTAL LIABILITIES AND NET ASSETS	\$ 199,915,626	\$ 175,292,412

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

PROJECT RENEWAL, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	For the Year Ended June 30,			For the Year Ended June 30,		
	Without Donor Restrictions	With Donor Restrictions	2022 Total	Without Donor Restrictions	With Donor Restrictions	2021 Total
REVENUES AND SUPPORT:						
Government grants (Note 2K)	\$ 88,816,735	\$ -	\$ 88,816,735	\$ 87,090,754	\$ -	\$ 87,090,754
Third party revenue (Note 2K)	4,027,868	-	4,027,868	3,468,088	-	3,468,088
Social purpose ventures (Notes 2K and 17)	6,540,093	-	6,540,093	6,790,215	-	6,790,215
Rental income (Note 2K)	3,551,847	-	3,551,847	2,936,108	-	2,936,108
Gain on extinguishment of debt (Note 14)	6,971,035	-	6,971,035	-	-	-
Special events (net of direct expenses of \$260,930 and \$72,795 for 2022 and 2021, respectively)	1,005,439	-	1,005,439	1,224,385	-	1,224,385
Contributions	920,984	2,237,628	3,158,612	1,342,109	1,150,293	2,492,402
Miscellaneous income (Note 6)	633,428	-	633,428	808,379	-	808,379
Net assets released from restrictions (Notes 2D and 16)	2,197,772	(2,197,772)	-	2,003,748	(2,003,748)	-
TOTAL REVENUES AND SUPPORT	<u>114,665,201</u>	<u>39,856</u>	<u>114,705,057</u>	<u>105,663,786</u>	<u>(853,455)</u>	<u>104,810,331</u>
EXPENSES (Note 2N):						
Program Services:						
Outreach	483,117	-	483,117	471,700	-	471,700
Treatment and transitional housing	64,340,296	-	64,340,296	67,537,632	-	67,537,632
Medical services	10,037,221	-	10,037,221	9,615,179	-	9,615,179
Employment services	8,830,685	-	8,830,685	8,035,917	-	8,035,917
Permanent housing	13,305,585	-	13,305,585	8,347,139	-	8,347,139
Total program services	<u>96,996,904</u>	<u>-</u>	<u>96,996,904</u>	<u>94,007,567</u>	<u>-</u>	<u>94,007,567</u>
Supporting services:						
Management and general	14,187,031	-	14,187,031	11,055,394	-	11,055,394
Fundraising	1,310,723	-	1,310,723	837,399	-	837,399
Total supporting services	<u>15,497,754</u>	<u>-</u>	<u>15,497,754</u>	<u>11,892,793</u>	<u>-</u>	<u>11,892,793</u>
TOTAL EXPENSES	<u>112,494,658</u>	<u>-</u>	<u>112,494,658</u>	<u>105,900,360</u>	<u>-</u>	<u>105,900,360</u>
CHANGE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS FROM NON-CONTROLLING LIMITED PARTNERS	2,170,543	39,856	2,210,399	(236,574)	(853,455)	(1,090,029)
Capital contributions from non-controlling limited partners	17,416,961	-	17,416,961	-	-	-
CHANGES IN NET ASSETS	19,587,504	39,856	19,627,360	(236,574)	(853,455)	(1,090,029)
Net assets - beginning of year	2,167,931	4,097,729	6,265,660	2,404,505	4,951,184	7,355,689
NET ASSETS - END OF YEAR	<u>\$ 21,755,435</u>	<u>\$ 4,137,585</u>	<u>\$ 25,893,020</u>	<u>\$ 2,167,931</u>	<u>\$ 4,097,729</u>	<u>\$ 6,265,660</u>

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

PROJECT RENEWAL, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(With Comparative Totals for June 2021)

	Program Services					Supporting Services			Total 2022	Total 2021	
	Outreach	Treatment and Transitional Housing	Medical Services	Employment Services	Permanent Housing	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$ 330,644	\$ 26,527,876	\$ 5,930,554	\$ 3,498,219	\$ 3,638,285	\$ 39,925,578	\$ 6,326,495	\$ 704,329	\$ 7,030,824	\$ 46,956,402	\$ 42,359,725
Payroll taxes and benefits (Note 18)	77,394	6,209,341	1,388,156	816,298	851,610	9,342,799	1,460,841	164,899	1,625,740	10,968,539	10,269,183
Total salaries and related costs	408,038	32,737,217	7,318,710	4,314,517	4,489,895	49,268,377	7,787,336	869,228	8,656,564	57,924,941	52,628,908
Food and kitchen supplies	-	2,393,578	3,531	3,532,847	93,079	6,023,035	136,643	-	136,643	6,159,678	6,022,213
Client supplies	11,486	1,209,558	348,432	90,870	102,360	1,762,706	35,189	-	35,189	1,797,895	1,562,368
Lab fees	-	-	66,078	-	-	66,078	14,470	-	14,470	80,548	81,173
Office rent and occupancy expense (Note 20C)	23,186	8,596,425	130,267	361,113	3,322,278	12,433,269	699,886	-	699,886	13,133,155	12,886,508
Utilities	2,679	1,118,616	8,158	17,994	398,680	1,546,127	76,121	-	76,121	1,622,248	1,435,087
Facility maintenance	910	3,349,388	37,235	9,245	532,234	3,929,012	86,632	1,333	87,965	4,016,977	3,276,526
Telephone	3,349	297,949	81,007	19,227	53,945	455,477	67,001	3,754	70,755	526,232	888,120
Office expense	-	751,632	462,083	124,796	122,001	1,460,512	1,440,002	239,151	1,679,153	3,139,665	2,680,428
Staff travel	-	14,589	27,814	6,533	1,129	50,065	205,289	1,908	207,197	257,262	115,171
Printing	-	1,975	1,132	1,723	80	4,910	2,975	16,535	19,510	24,420	11,294
Professional fees	-	188,063	179,881	2,351	94,999	465,294	583,050	439,744	1,022,794	1,488,088	1,091,113
Security fees	-	10,723,108	-	-	596,390	11,319,498	-	-	-	11,319,498	15,415,232
Temporary help	-	18,481	505,442	12,142	152	536,217	235,478	-	235,478	771,695	1,018,651
Vehicle expense	11,615	125,337	371,368	211,981	62	720,363	133,952	-	133,952	854,315	777,670
Insurance	21,854	1,414,306	347,797	121,647	659,733	2,565,337	592,202	-	592,202	3,157,539	2,031,096
Recruiting	-	-	-	16	-	16	165,515	-	165,515	165,531	45,231
Bad debt expense	-	-	-	-	-	-	979,271	-	979,271	979,271	116,468
Data processing	-	-	-	3,683	-	3,683	372,205	-	372,205	375,888	367,479
Interest expense	-	582,491	-	-	804,613	1,387,104	67,794	-	67,794	1,454,898	1,039,482
Miscellaneous	-	23,849	-	-	104,691	128,540	-	-	-	128,540	122,188
Depreciation and amortization	-	793,734	148,286	-	1,929,264	2,871,284	506,020	-	506,020	3,377,304	2,360,749
Total OTPS	75,079	31,603,079	2,718,511	4,516,168	8,815,690	47,728,527	6,399,695	702,425	7,102,120	54,830,647	53,344,247
Direct costs of fundraising events	-	-	-	-	-	-	-	(260,930)	(260,930)	(260,930)	(72,795)
TOTAL EXPENSES	<u>\$ 483,117</u>	<u>\$ 64,340,296</u>	<u>\$ 10,037,221</u>	<u>\$ 8,830,685</u>	<u>\$ 13,305,585</u>	<u>\$ 96,996,904</u>	<u>\$ 14,187,031</u>	<u>\$ 1,310,723</u>	<u>\$ 15,497,754</u>	<u>\$ 112,494,658</u>	<u>\$ 105,900,360</u>

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

PROJECT RENEWAL, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>					<u>Supporting Services</u>				<u>Total 2021</u>
	<u>Outreach</u>	<u>Treatment and Transitional Housing</u>	<u>Medical Services</u>	<u>Employment Services</u>	<u>Permanent Housing</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 285,434	\$ 25,249,528	\$ 5,364,284	\$ 3,065,256	\$ 2,779,817	\$ 36,744,319	\$ 5,091,864	\$ 523,542	\$ 5,615,406	\$ 42,359,725
Payroll taxes and benefits (Note 18)	68,030	6,017,979	1,278,534	729,195	662,992	8,756,730	1,387,671	124,782	1,512,453	10,269,183
Total salaries and related costs	353,464	31,267,507	6,642,818	3,794,451	3,442,809	45,501,049	6,479,535	648,324	7,127,859	52,628,908
Food and kitchen supplies	-	2,508,164	693	3,423,700	71,380	6,003,937	18,276	-	18,276	6,022,213
Client supplies	59,789	959,497	304,535	64,973	77,065	1,465,859	96,509	-	96,509	1,562,368
Lab fees	-	45	59,888	-	-	59,933	21,240	-	21,240	81,173
Office rent and occupancy expense (Note 20C)	24,254	8,716,627	92,121	304,065	2,783,842	11,920,909	965,599	-	965,599	12,886,508
Utilities	2,249	1,082,637	6,424	19,171	299,117	1,409,598	25,489	-	25,489	1,435,087
Facility maintenance	2,011	3,063,963	30,286	6,793	155,522	3,258,575	17,951	-	17,951	3,276,526
Telephone	3,991	647,397	86,747	25,062	41,521	804,718	79,914	3,488	83,402	888,120
Office expense	22	956,189	476,219	76,871	72,947	1,582,248	1,023,592	74,588	1,098,180	2,680,428
Staff travel	-	8,789	32,780	3,909	339	45,817	69,149	205	69,354	115,171
Printing	120	2,867	4,590	853	574	9,004	1,604	686	2,290	11,294
Professional fees	-	137,912	118,826	3,843	25,596	286,177	637,633	167,303	804,936	1,091,113
Security fees	-	15,335,242	-	-	79,990	15,415,232	-	-	-	15,415,232
Temporary help	-	9,759	908,221	-	-	917,980	100,671	-	100,671	1,018,651
Vehicle expense	11,043	139,570	310,652	184,112	1,486	646,863	130,807	-	130,807	777,670
Insurance	14,757	1,185,022	304,754	113,435	87,865	1,705,833	325,263	-	325,263	2,031,096
Recruiting	-	-	30,000	147	-	30,147	15,084	-	15,084	45,231
Bad debt expense	-	4,020	-	-	46,195	50,215	54,423	11,830	66,253	116,468
Data processing	-	-	-	14,532	-	14,532	352,947	-	352,947	367,479
Interest expense and amortization of debt issuance costs	-	601,066	-	-	259,681	860,747	178,735	-	178,735	1,039,482
Depreciation and amortization	-	813,966	205,625	-	880,185	1,899,776	460,973	-	460,973	2,360,749
Miscellaneous	-	97,393	-	-	21,025	118,418	-	3,770	3,770	122,188
Total OTPS	118,236	36,270,125	2,972,361	4,241,466	4,904,330	48,506,518	4,575,859	261,870	4,837,729	53,344,247
Direct costs of fundraising events	-	-	-	-	-	-	-	(72,795)	(72,795)	(72,795)
TOTAL EXPENSES	\$ 471,700	\$ 67,537,632	\$ 9,615,179	\$ 8,035,917	\$ 8,347,139	\$ 94,007,567	\$ 11,055,394	\$ 837,399	\$ 11,892,793	\$ 105,900,360

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

**PROJECT RENEWAL, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 19,627,360	\$ (1,090,029)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,377,304	2,360,749
Amortization of debt issuance costs	22,460	22,460
Gain on extinguishment of debt	(6,971,035)	-
Bad debt expense	979,271	116,468
Capital contributions	(17,416,961)	-
Unrealized loss (gain) on investments	39,726	(80,699)
Non-cash loan principal repayment	(14,216,357)	(439,272)
Non-cash loan principal borrowings	25,120,802	2,606,470
Non-cash increase in property and equipment	(25,457,298)	(13,439,722)
Deferred rent	13,186	7,043,964
	(14,881,542)	(2,899,611)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts and grants receivable	1,155,276	(1,850,546)
Contributions receivable	249,818	457,046
Rent receivable	(189,920)	(38,012)
Prepaid expenses	(82,624)	(73,668)
Security deposits and other assets	141,864	13,938
Assets held for others	(16,060)	35,647
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(3,985,119)	14,197,752
Accrued salaries and related liabilities	2,464,231	(262,302)
Accrued interest	757,877	776,710
Retainage payable	(136,454)	136,454
Deferred revenue / due to funding source	2,450,910	1,341,304
Deferred developer's fee revenue	-	(46,318)
Due to / from affiliates	(485,875)	(638,870)
	(12,557,618)	11,149,524
Net Cash Provided by Operating Activities	(12,557,618)	11,149,524
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(9,346,487)	(3,528,703)
Capital contributions	17,416,961	-
Investment in rental property	(296,605)	-
	7,773,869	(3,528,703)
Net Cash Used in Investing Activities	7,773,869	(3,528,703)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from paycheck protection program loan	-	8,263,870
Repayment of line of credit	-	(3,000,000)
Repayment of loans	(40,000)	(40,000)
Construction accounts payable	-	(1,854,401)
	(40,000)	3,369,469
Net Cash (Used in) Provided by Financing Activities	(40,000)	3,369,469
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(4,823,749)	10,990,290
Cash and cash equivalents and restricted cash - beginning of year	18,973,847	7,983,557
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	\$ 14,150,098	\$ 18,973,847
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	\$ 1,033,474	\$ 605,816
Loan principal repayment - non-cash	\$ (14,216,357)	\$ (439,272)
Loan principal borrowings - non-cash	\$ 25,120,802	\$ 2,606,470
Property and equipment - non-cash	\$ (25,457,298)	\$ (13,439,722)
Gain on extinguishment of debt	\$ 6,971,035	\$ -

PROJECT RENEWAL, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 — CORPORATION AND NATURE OF ACTIVITIES

Project Renewal, Inc. and Affiliates operate facilities in New York State that offer a variety of services in accessible settings to homeless and formerly homeless people suffering from mental illness, alcoholism and substance abuse. Project Renewal, Inc. receives substantial grant awards from various Federal, New York State and City agencies. The consolidated financial statements include Project Renewal, Inc. and the following entities, collectively referred to as the "Corporation":

- A. Project Renewal Housing Development Fund Corporation ("PRI HDFC"), whose sole member is Project Renewal, Inc., provides housing for low-income persons with mental illness and/or chemical dependency in the Bronx, New York, called the Fletcher Place Residence (the "Project").
- B. Washington OMH Corporation ("Washington OMH GP") is the general partner of Washington Fletcher OMH LP. ("Washington Fletcher"), a limited partnership controlled by PRI HDFC. Washington OMH GP has a 0.01% interest in Washington Fletcher. Washington Fletcher owns investments in real property and the provision of low-income housing through the construction, renovation, rehabilitation, operation and leasing of an apartment complex. The apartment complex is an 80-unit, multifamily rental housing development in the Bronx, New York, for low-income residents. Occupancy commenced in December 2011.
- C. Bronx Boulevard Housing Development Fund Corporation ("Bronx Boulevard HDFC"), whose sole member is Project Renewal, Inc., is developing housing for men with mental illness.
- D. PRI Villa Avenue GP, Inc., the general partner of PRI Villa Avenue L.P., a limited partnership controlled by PRI Villa HDFC., has a 0.01% interest in PRI Villa Avenue L.P. PRI Villa Avenue L.P. owns investments in real property and the provision of low-income housing through the construction and operation of an apartment complex. The apartment complex is a 56-unit, multifamily rental housing development in the Bronx, New York, for low-income residents. Construction was completed in August 2015 and occupancy commenced in October 2015.
- E. 10 Minerva Place GP, Inc., the general partner of 10 Minerva Place LP, Inc., is a limited partnership controlled by 10 Minerva Place HDFC. 10 Minerva Place GP, Inc. has a 0.01% interest in 10 Minerva Place LP. 10 Minerva Place LP owns investments in real property and the provision of low-income housing through construction and the operation of a 13-story residential building, located in the Bronx, New York. The residential building will have approximately 120 dwelling units. Construction has begun and is still in the development stage.
- F. PRI Villa Avenue Housing Development Fund Corporation ("PRI Villa HDFC"), whose sole member is Project Renewal, Inc., developed housing for low income persons with substance and mental illness in the Bronx, New York, called Villa Avenue Residence. 2880 Jerome Avenue GP, Inc., the general partner of 2880 Jerome Avenue LP, Inc., is a limited partnership controlled by 2880 Jerome Avenue HDFC. 2880 Jerome Avenue GP, Inc. has a 0.01% interest in 2880 Jerome Avenue LP.
- G. 2880 Jerome Avenue GP, Inc. ("2880 Jerome Avenue") the general partner of 2880 Jerome Avenue LP, Inc. is a limited partnership controlled by 2880 Jerome Avenue HDFC. 2880 Jerome Avenue has a 0.01% interest in 2880 Jerome Avenue LP, Inc. Jerome Avenue LP owns investments in real estate property and the provision of low-income housing through construction and the operation of a 17-story residential building, located in the Bronx, New York. The residential building will have approximately 116 dwelling units. Construction is in pre-development stages.
- H. 161 Lexington Housing Development Fund Company ("161 Lexington HDFC"), whose sole member is Project Renewal, Inc., is redeveloping a former 117 room hotel on Lexington Ave. into 117 studio housing units for formerly homeless individuals. The project has been discontinued during 2022.
- I. New Providence Housing Development Fund Company ("New Providence HDFC"), whose sole member is Project Renewal, Inc., is redeveloping existing buildings in the Turtle Bay-East Midtown neighborhood of New York City into supportive housing and shelter space. Construction is in pre-development stages.

PROJECT RENEWAL, INC., AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 — CORPORATION AND NATURE OF ACTIVITIES (Continued)

- J. West 59th Shelter Housing Development Fund Company ("W59th HDFC") , whose sole member is Project Renewal, Inc., was formed to acquire the former Manhattan News Network (MNN) building at 537 West 59th Street and redevelop it into a 200-bed shelter for single women. Demolition of the existing building has commenced, and the new building is expected to be completed by the end of 2024.

Entities shown in items A through J above are further referred to as ("Housing Affiliates").

Other related entities which are not included:

- A. Project Renewal Fund Inc. ("PRF") a not-for-profit entity that is the sole member of Project Renewal, Inc. and other non-profit entities.
- B. The Corporation shares certain common facilities and management personnel with Manhattan Bowery Management Corporation ("MBMC"), a not-for-profit entity. PRF is the sole member of MBMC.
- C. MRG Partners, L.P. ("MRG"), operates the Geffner House (formerly the Holland House), a low-income rental housing project. The general partner is Starting Homes, Inc., a for-profit corporation controlled by a housing development fund corporation that is owned by PRF.
- D. St. Nicholas House L.P. ("St. Nicholas") operates the St. Nicholas House project for occupancy by low income tenants. The general partner is St. Nicholas House GP Corporation, a for-profit corporation controlled by a housing development fund corporation that is owned by PRF.
- E. North Star Housing, Inc. ("NSH"), a not-for-profit entity develops and manages affordable housing. PRF is the sole member of NSH.

Project Renewal, Inc., PRI HDFC, Bronx Boulevard HDFC, PRI Villa HDFC, 161 Lexington HDFC, New Providence HDFC and W59 HDFC are exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code (the "Code") and from state and local taxes under comparable laws. Washington OMH GP, PRI Villa Avenue GP, Inc. 10 Minerva Place GP, Inc. and 2880 Jerome Avenue, are for-profit Corporations subject to Federal income tax and applicable state and local taxes.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Accounting*** – The Corporation's consolidated 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"). All significant intercompany transactions have been eliminated during consolidation.
- B. ***Principles of Consolidation*** – These financial statements are prepared on a consolidated basis and include the activities as of and for the years ended June 30, 2022 and 2021 of entities controlled by Project Renewal, Inc. through its sole membership in not-for-profit entities or its controlling interest in for-profit entities. The assets, liabilities, and net assets of Washington Fletcher, PRI Villa Avenue L.P., and 10 Minerva Place L.P. have been consolidated into Washington OMH GP, PRI Villa Avenue GP, and 10 Minerva Place GP and HDFC, respectively, due to the controlling influence the general partners have over the limited partnerships. The consolidated entity is collectively referred to as the "Corporation."
- C. ***Use of Estimates*** – The preparation of consolidated 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 at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
- D. ***Net Assets*** – The Corporation maintains its net assets in accordance with the following:

Without Donor Restrictions - represents resources available for support of the Corporation's operations over which the Board of Trustees has discretionary control.

PROJECT RENEWAL, INC., AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated 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 program 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 unrestricted support.

- E. **Cash and Cash Equivalents and Restricted Cash** – Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at the time of purchase, except restricted cash held for reserves on construction projects.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the Consolidated Statements of Financial Position the sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash and cash equivalents	\$ 11,947,435	\$ 16,941,420	\$ 6,072,485
Restricted cash	<u>2,202,663</u>	<u>2,032,427</u>	<u>1,911,072</u>
Total in the statements of cash flows	<u>\$ 14,150,098</u>	<u>\$ 18,973,847</u>	<u>\$ 7,983,557</u>

- F. **Investments and Fair Value Measurements** – Investments are reported at fair value. Investment income consisting of interest, dividends, realized and unrealized gains or losses is classified as operating revenue and is available to support operations. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 6.
- G. **Impairment of Long-Lived Assets** – The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to aggregate future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value. No impairment loss has been recognized during the years ended June 30, 2022 and 2021.
- H. **Deferred Developer's Fee Revenue** – Deferred developer's fee revenue refers to fees indirectly received in the form of an investment by the developer in connection with the development and construction of the Fletcher Street Project. Revenue will be recognized as certain milestones are achieved and receipts will be used for the establishment of required reserves.
- I. **Non-Controlling Limited Partners' Interests** – Capital contributions from non-controlling limited partners in the consolidated statements of activities represent the capital contributions of the Limited Partnerships allocated to limited partners for that period. Non-controlling limited partners' interests in the consolidated statements of financial position represent the cumulative capital contributions and the limited partners' interest in profits or losses of the Limited Partnerships.
- J. **Property and Equipment and Investments in Rental Property** – Property and equipment and investments in rental property 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 Corporation capitalizes all owned property and equipment having a useful life of greater than one year and a cost of \$5,000 or more. There may be instances where certain expenditures for property and equipment are included in the consolidated 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 Corporation.

PROJECT RENEWAL, INC., AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- K. **Revenue Recognition** – Principal support for the programs operated by the Corporation is derived directly from various federal, state and local governmental agencies. Laws and regulations governing Medicaid and Medicare programs are subject to interpretation. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from Medicaid and Medicare programs. There are occasions when funding source reimbursements for prior years are adjusted in the current period. The Corporation records receivables and revenue when earned based on established rates or contracts for services provided. Revenue is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing the contracted services. Generally, the Corporation bills the government entities, third-party payors and individuals after the services are performed or when the Corporation has completed its portion of the contract.

Government grants are nonexchange transactions and accounted for under Accounting Standards Update (“ASU”) 2018-08 “*Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*” (Topic 958). Government grants are recognized as revenue when barriers within the contract are overcome, and there is no right of return. There are instances when the Corporation receives advances from the governmental funding sources and/or foundations. Such advances are recorded as deferred revenue / due to funding source in the accompanying consolidated statements of financial position.

As of and June 30, 2022 and 2021, the Corporation received conditional grants and contracts from government agencies in the aggregate amount of approximately \$281 MM and \$102 MM, respectively. Such grants have not been recognized in the accompanying consolidated 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 agreements. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and the Corporation may be required to return the funds already remitted.

Third party revenues are derived from services provided under contracts with national social insurance programs and managed care organizations where the Corporation is reimbursed by an entity other than the beneficiary of the services provided. The revenue is recognized when it is earned.

Social purpose ventures revenues are derived from programs designed to end the cycle of homelessness by preparing formerly homeless individuals to succeed in culinary and food preparation industries. Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Corporation and tenants are operating leases with terms between one and two years.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Corporation in accordance with the contract. Revenue for performance obligations are satisfied at a point in time at which services are provided. The Corporation believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Corporation measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 606-10-50-1 4(a), *Revenue from Contracts with Customers* and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed and upon submission of required documentation.

PROJECT RENEWAL, INC., AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Corporation determines the transaction price based on established rates and contracts for services provided. The initial estimate of the transaction price is determined by reducing the established rates for services provided by any implicit price concessions based on historical collection experience with each government agency. The Corporation has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payors and service lines. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

Financing Component

The Corporation has elected the practical expedient allowed under FASB ASC 606-10-32-18, *Revenue from Contracts with Customers* and does not adjust the promised amount of consideration from customers and third parties for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a customer and the time the customer or a third-party payor pays for that service will be one year or less.

Contract Costs

The Corporation has applied the practical expedient provided by FASB ASC 340-40-25-4, *Other Assets and Deferred Costs*, and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Corporation otherwise would have recognized is one year or less in duration.

- L. **Contract Disallowances** – The contractual agreements with various funding sources include provisions for claims and program audits in subsequent years. These audits may result in disallowance and repayment of costs previously reimbursed by the funding sources. Management estimates potential disallowances based on past experiences. Accordingly, management has established a contingency reserve to cover the cost of future disallowances, if any. As of both June 30, 2022 and 2021, the contingency reserve amounted to approximately \$247,600, and is reflected in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.
- M. **Operating Leases** – U.S. GAAP requires that the Corporation account for free rent and landlord credits. This accounting treatment is commonly referred to as “straight-lining of rent.” The difference between rent expense, under this method, and the lower rental amounts actually paid to the landlord are reported as a “deferred rent” obligation in the accompanying consolidated statements of financial position. The change in the deferred rent liability is reflected in the accompanying consolidated statements of activities.
- N. **Functional Allocation of Expenses** – The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of functional expenses. The consolidated 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 consolidated 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. The expenses that are allocated include occupancy and insurance which are allocated on a square footage basis, as well as salaries, wages and benefits, payroll taxes, professional services, information technology and other expenses, which are allocated mainly on the basis of estimates of time and effort. Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

NOTE 3 — LIQUIDITY AND AVAILABILITY

The Corporation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Corporation has various sources of liquidity at its disposal, including cash and cash equivalents, investments, receivables and line of credit that provides funding for operations and capital expenditures as needed.

PROJECT RENEWAL, INC., AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 — LIQUIDITY AND AVAILABILITY (Continued)

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Corporation considers all expenditures related to its ongoing activities. In addition to financial assets available to meet general expenditures over the next 12 months, the Corporation expects and anticipates collecting sufficient revenue to cover general expenditures.

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

	2022	2021
Cash and cash equivalents	\$ 11,947,435	\$ 16,941,420
Investments	160,218	199,944
Accounts and grants receivable	30,652,625	32,787,172
Contributions receivable	1,021,559	1,271,377
Rent receivable	450,693	260,773
Due from affiliates	92,420	91,192
Total	44,324,950	51,551,878
Less those unavailable for general expenditures within one year		
Net assets with donor restrictions	(4,137,585)	(4,097,729)
Total	\$ 40,187,365	\$ 47,254,149

To help manage unanticipated liquidity needs, the Corporation has a line of credit of \$5,000,000 which can be drawn upon as needed. In addition, the Corporation has access to certain Limited Partnerships' financial assets.

NOTE 4 — RESTRICTED CASH

The Corporation receives funding for PRI Villa Avenue, L.P. which is to be used for the operating and replacement reserves of the construction project (Note 13). The funds are related to debt agreements and were deposited into an escrow account held by New York City Housing Development Corporation. At June 30, 2022 and 2021, the remaining balances amounted to \$628,917 and \$614,523, respectively.

In addition, at June 30, 2022 and 2021, the Corporation had \$1,573,746 and \$1,417,904, respectively, held in escrow accounts for real estate tax, insurance payments and operating reserves.

NOTE 5 — ASSETS HELD FOR OTHERS

Assets held for others consist of custodial and other funds required to be maintained in separate accounts for other organizations. The corresponding liability is reflected in accounts payable and accrued expenses.

NOTE 6 — INVESTMENTS AND FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

PROJECT RENEWAL, INC., AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 — INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk (or other parties such as counterparty in a swap) in its assessment of fair value.

Investments in the consolidated statements of financial position, consisted of common stock, are stated at fair value as of June 30, 2022 and 2021, are valued using market prices in active markets in Level 1, and amounted to \$160,218 and \$199,944, respectively.

Investments are subject to market volatility that could substantially change their value in the near term.

Investment activity included in miscellaneous income in the accompanying consolidated statements of activities consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Unrealized (loss) gain on investments	\$ <u>(39,726)</u>	\$ <u>80,699</u>

NOTE 7 — ACCOUNTS AND GRANTS RECEIVABLE, NET

Accounts and grants receivable consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 3,399,797	\$ 3,300,120
Grants receivable		
Federal	1,169,445	2,736,787
New York State	853,426	1,608,556
New York City	<u>26,241,763</u>	<u>25,525,846</u>
Total	31,664,431	33,171,309
Less: Allowance for doubtful accounts	<u>(1,011,806)</u>	<u>(384,137)</u>
Accounts and grants receivable, net	\$ <u>30,652,625</u>	\$ <u>32,787,172</u>

Accounts receivable mostly represent amounts due to the Corporation from other not-for-profit agencies and private companies for services provided by one of the Corporation's social purpose ventures.

At both June 30, 2022 and 2021, approximately 70% of grants receivable due from New York City were due from a single agency.

NOTE 8 — CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Receivables due within one year	\$ 666,342	\$ 681,725
Receivables due in one to five years	<u>541,817</u>	<u>776,702</u>
	1,208,159	1,457,977
Less: Allowance for doubtful accounts	<u>(186,600)</u>	<u>(186,600)</u>
Contributions receivable, net	\$ <u>1,021,559</u>	\$ <u>1,271,377</u>

PROJECT RENEWAL, INC., AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 — INVESTMENTS IN RENTAL PROPERTY, NET

Investments in rental property, net consist of the following as of June 30:

	2022		
	Washington OMH GP	PRI Villa Avenue GP	Total
Land and land improvements	\$ 1,235,040	\$ 1,325,000	\$ 2,560,040
Building and building improvements	20,187,008	13,534,396	33,721,404
Equipment	-	432,076	432,076
Furniture and fixtures	548,600	157,139	705,739
Construction in progress	296,605	-	296,605
Construction in progress			
Total	22,267,253	15,448,611	37,715,864
Less: accumulated depreciation	(9,691,902)	(3,959,340)	(13,651,242)
Investment in rental property, net	\$ 12,575,351	\$ 11,489,271	\$ 24,064,622
	2021		
	Washington OMH GP	PRI Villa Avenue GP	Total
Land and land improvements	\$ 1,235,040	\$ 1,325,000	\$ 2,560,040
Building and building improvements	20,187,008	13,534,396	33,721,404
Equipment	-	432,076	432,076
Furniture and fixtures	548,600	157,139	705,739
Total	21,970,648	15,448,611	37,419,259
Less: accumulated depreciation	(8,832,277)	(3,467,180)	(12,299,457)
Investment in rental property, net	\$ 13,138,371	\$ 11,981,431	\$ 25,119,802

Depreciation expense for the years ended June 30, 2022 and 2021 amounted to \$1,351,785 and \$1,376,651, respectively. Estimated useful lives of assets in investments in rental property follow the same lives as property, equipment and leasehold improvements (see Note 10).

NOTE 10 — PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

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

	2022	2021	Estimated Useful Lives
Land	\$ 23,916,250	\$ 4,616,250	
Buildings	84,950,328	15,250,927	25-30 Years
Equipment	4,858,579	4,858,579	4-7 Years
Automobiles	3,066,767	3,066,767	5-7 Years
Building and leasehold improvements	8,293,897	8,131,293	7-15 Years
Construction-in-progress	9,708,928	64,067,148	
Total	134,794,749	99,990,964	
Accumulated depreciation and amortization	(19,347,864)	(17,322,345)	
Property, equipment and leasehold improvements, net	\$ 115,446,885	\$ 82,668,619	

Depreciation expense for the years ended June 30, 2022 and 2021 amounted to \$2,025,519 and \$984,098, respectively.

As of June 30, 2022, construction-in-progress primarily consisted of costs related to early-stage renovations being done at New Providence HDFC and West 59th Shelter HDFC.

PROJECT RENEWAL, INC., AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 — RELATED PARTY TRANSACTIONS

The Corporation conducts transactions with certain related and other affiliated organizations. A description of these transactions follows:

- A. For each of the years ended June 30, 2022 and 2021, the Corporation charged MBMC rent of \$96,000, and management fees of \$200,000.
- B. During each of the years ended June 30, 2022 and 2021, NSH charged the Corporation \$447,457 for rental expense.

Amounts due (to)/from affiliates are non-interest bearing, payable on demand and consisted of the following as of June 30:

	2022	2021
MBMC	\$ (653,788)	\$ (1,767,872)
NSH	(498,476)	(499,704)
MRG	(1,370,620)	(414,269)
St. Nicholas	(692,513)	(1,019,427)
Total	(3,215,397)	(3,701,272)
Allowance for doubtful accounts	(645,895)	(645,895)
Total due (to)/from affiliates, net	\$ (3,861,292)	\$ (4,347,167)

NOTE 12 — MORTGAGE RECEIVABLE AND ENFORCEMENT NOTE PAYABLE

The Corporation is the sponsor of the Geffner House Project, which is operated and owned by MRG. The Corporation has a \$12,500,000 mortgage note receivable from MRG as a result of transferring land to the Geffner House property for use in the Project.

This mortgage receivable is subordinated to a \$12,500,000 enforcement note held by the City of New York. The enforcement note may be forgiven if the Corporation operates certain social service programs at the Geffner House site during the term of the agreement. The enforcement note shall not bear interest and matures on December 30, 2026. Once the enforcement note is satisfied, the mortgage receivable shall be forgiven.

PROJECT RENEWAL, INC., AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 13 — LOANS PAYABLE

Loans payable consisted of the following at June 30:

	2022	2021
A. Washington OMH GP		
New York State Housing Finance Agency (HFA)	\$ 10,965,000	\$ 10,965,000
New York State Homeless Housing and Assistance Corporation (HHAC)	4,238,094	4,238,094
B. Bronx Boulevard HDFC		
The Community Preservation Corporation (CPC)	7,586,597	8,044,315
C. PRI Villa Avenue GP, Inc.		
New York City Housing Preservation and Development (HPD)	4,475,000	4,475,000
NYS Office of Temporary and Disability Assistance (OTDA)	3,231,500	3,231,500
D. PRI Villa Ave HDFC / 2880 Jerome Avenue		
Corporation for Supportive Housing	3,320,724	3,320,724
E. 10 Minerva Place LP, Inc.		
New York City Housing Development Corporation (HDC)	20,161,585	34,012,277
New York State Homeless Housing and Assistance Corporation (HHAC)	6,221,812	6,221,812
New York City Department of Housing Preservation and Development (HPD)	8,850,000	8,850,000
F. Project Renewal, Inc.		
Deutsche Bank Recoverable Grant Funds	120,000	160,000
G. 161 Lexington HDFC		
Corporation for Supportive Housing	-	337,200
H. New Providence HDFC		
Leviticus Alternative Fund, Inc	289,527	196,770
I. West 59 th Shelter HDFC		
Nuveen Alternatives Advisors LLC	25,457,298	-
Subtotal	94,917,137	84,052,692
Less: unamortized debt issuance costs	(449,816)	(472,276)
Total loans payable, net	\$ 94,467,231	\$ 83,580,416

A. Washington OMH GP

Construction on the Fletcher Street Project is being financed using the proceeds provided to PRI HDFC of (1) a construction / permanent mortgage loan from the New York State Housing Finance Agency ("HFA") in the amount not to exceed \$14,250,000 to be financed with funds from the proceeds of tax exempt Affordable Housing Revenue Bonds 2009 Series B Bonds, (2) a subordinate loan from HFA in the approximate principal amount of \$200,000 (together with (1) the "HFA Loan"), (3) a building and project loan from New York State Homeless Housing and Assistance Corporation in the principal amount of \$4,632,300 ("HHAC Loan"), and (4) an equity investment in the amount of \$8,132,569 made in connection with the sale of Federal low-income housing tax credits generated by the Project.

As a condition of the HFA Loan, Washington Fletcher secured an irrevocable standby letter of credit from JP Morgan Chase Bank, N.A. Also, as a condition of the HFA Loan, Washington Fletcher was required to enter into an agreement with HFA that regulates the rents and income of eligible occupants of the Project for a period of at least 30 years.

The construction loan portion of the financing was converted to permanent financing and the letter of credit from JP Morgan Chase Bank, N.A. for the Project was released on October 12, 2012.

The project is eligible to receive certain operating subsidies from Washington OMH GP for management and operation of the Project and provide special services to tenants. In addition, the Corporation is eligible for debt service subsidies for payments on the HFA loan.

PROJECT RENEWAL, INC., AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 13 — LOANS PAYABLE (Continued)

Washington OMH GP

As of both June 30, 2022 and 2021, HFA advanced \$10,965,000, of which \$10,765,000 is outstanding on the construction/permanent mortgage loan and \$200,000 is outstanding on the subordinate loan. The HFA mortgage loan bears interest of 2% per year and is payable on July 1, 2041. The HFA subordinate loan bears interest of 1% per year and has a maturity date of July 1, 2041. Total interest expense accrued at June 30, 2022 and 2021 for both loans was \$2,303,030 and \$2,114,525, respectively.

As of both June 30, 2022 and 2021, HHAC advanced \$4,238,094 to the Corporation. The HHAC loan bears interest of 1% per year and is payable on December 1, 2041. Total interest expense accrued at June 30, 2022 and 2021 was \$567,124 and \$495,944, respectively.

Washington Fletcher has entered into a commitment with PRI HDFC to receive a loan of \$759,205. The loan has a stated interest rate of 3.5% per annum with the entire principal balance and accrued interest due on September 30, 2039. No amounts have been advanced as of June 30, 2022 and 2021.

B. Bronx Boulevard HDFC

Construction on the Bronx Boulevard project was financed by JP Morgan Chase Bank, N.A. and Contact Fund loans for \$10,222,649 and \$404,747, respectively. The interest rate is 2.75% per annum plus the adjusted LIBOR rate for JP Morgan Chase Bank, N.A. and 1.75% plus prime rate for Contact Fund. Both loans matured on May 3, 2014. The Corporation obtained a six-month extension for both loans, with a new maturity date of November 3, 2014.

In October 2014, the Corporation refinanced its loans with JP Morgan Chase Bank, N.A. and Contact Fund with The Community Preservation Corporation. The new loan has a principal balance of \$10,627,396 and matures on November 1, 2034. The loan has an interest rate of 4.15% per annum, and requires monthly payments of \$77,230, of which \$65,243 is for principal and interest and \$11,987 is for insurance escrow and taxes. At June 30, 2022 and 2021, the outstanding loan balance was \$7,586,597 and \$8,044,315, respectively, and the escrow balance was \$591,037 and \$498,487, respectively. Interest expense amounted to \$325,198 and \$343,773 for the years ended June 30, 2022 and 2021, respectively.

C. PRI Villa Avenue GP, Inc.

Construction on the PRI Villa Avenue project was financed by (1) New York City Department of Housing Preservation and Development (NYC HPD) in the amount of \$4,475,000, (2) New York State Office of Temporary & Disability Assistance in the amount of \$3,250,000, and (3) an equity investment in the amount of \$8,344,280 made in connection with the sale of Federal low-income housing tax credits generated by the project.

As of both June 30, 2022 and 2021, NYC HPD advanced \$4,475,000 to the Corporation. When the conditions outlined in the Building and Project Loan Contract are met, the construction loan will be converted to a permanent mortgage with a maturity date of 60 years from the date of the conversion. The loan is non-interest bearing until the conversion date, at which time interest begins to accrue at a rate of 2.5% per annum through the maturity date. The loan has not yet been converted and the maturity date has been extended to March 21, 2078. As of June 30, 2022 and 2021, there was no accrued interest on this loan.

As of both June 30, 2022 and 2021, New York State Office of Temporary & Disability Assistance advanced \$3,231,500 to the Corporation. The loan accrues interest at a rate of 4.5% per annum. No payments of principal are due on the loan until maturity on October 28, 2075. As of June 30, 2022 and 2021, the Corporation accrued interest of \$1,633,113 and \$1,375,821, respectively, of which \$206,443 was capitalized in 2016 prior to the completion of the Project.

PROJECT RENEWAL, INC., AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 13 — LOANS PAYABLE (Continued)

D. PRI Villa Ave HDFC / 2880 Jerome Avenue

On July 30, 2015, the Corporation closed on the acquisition of two adjoining sites in the Bedford Park area of the Bronx, New York: Minerva Place and Jerome Avenue (collectively "Bedford Green House"). The acquisitions were financed by a Pre-development and Acquisition loan from the Corporation for Supportive Housing. Bedford Green House offers over 200 units of supportive and affordable housing for families and singles. Phase I Minerva Place was completed and the loan the was repaid.

At both June 30, 2022 and 2021, the principal balance of Phase II Jerome Avenue was \$3,320,724. For the years ended June 30, 2022 and 2021, the Corporation accrued interest, due upon repayment, of \$1,100,112 and \$859,212, respectively.

E. 10 Minerva Place L.P. Inc.

On June 29, 2017, the Corporation finalized the permanent financing for the construction on the Bedford Green House. The Project is being financed using the proceeds provided to 10 Minerva Place HDFC of (1) a construction / permanent mortgage loan from the New York City Housing Development Corporation ("HDC Loan") in the amount not to exceed \$30,000,000 to be financed with funds from the proceeds of tax exempt New York City Housing Development Corporation (HDC), (2) a subordinate loan from HDC in the principal amount of \$6,960,000 ("HDC Subordinate Loan"), (3) a building and project loan from New York City Department of Housing Preservation and Development in the principal amount of \$8,850,000 ("HPD Loan"), (4) a subordinate loan from New York State Homeless Housing and Assistance Corporation ("HHAC Loan") in the principal amount of \$6,222,012 and (5) an equity investment by Bank of America in the amount of \$23,989,019 made in connection with the sale of Federal low-income housing tax credits generated by the Project.

During fiscal year 2017, HDC advanced \$3,029,744, of which the principal balances of \$2,044,068 and \$985,676 bear interest at a rate of 2.35% and 5.25%, respectively. These HDC Loans were payable on April 20, 2020 (extended to March 1, 2022) and October 31, 2060. In addition, during fiscal year 2017, HDC advanced \$3,636,734 ("HDC Subordinate Loan") to the Corporation. The HDC Subordinate Loan bears interest of 2.85% per year and is payable on October 31, 2060.

During fiscal year 2018, HDC advanced \$4,459,498, of which the principal balances of \$3,008,675 and \$1,450,823 bear interest at a rate of 2.35% and 5.25%, respectively. This HDC Loan is payable on April 20, 2020 (extended to March 1, 2022) and October 31, 2060. In addition, during fiscal year 2018, HDC advanced \$2,827,058 ("HDC Subordinate Loan") to the Corporation. The HDC Subordinate Loan bears interest of 2.85% per year and is payable on October 31, 2060. Also, during fiscal year 2018, HHAC advanced \$1,168,046 (HHAC Loan) to the Corporation. The HHAC Loan bears interest of 1% and payments of interest and principal are deferred until the end of the 30th year of the contract compliance period, which is estimated to be 2047.

During fiscal year 2019, HDC advanced \$14,430,216 of which the principal balances of \$9,735,585 and \$4,694,631 bear interest at a rate of 2.35% and 5.25%, respectively. These HDC Loans were payable on April 20, 2020 (extended to March 1, 2022) and October 31, 2060. In addition, during fiscal year 2019, HPD advanced \$5,052,477 ("HPD Loan") to the Corporation. The HPD Loan bears interest of 0% per annum plus a servicing fee equal to 0.20% per annum on the outstanding principal amount which shall be payable monthly through and including April 29, 2020 (extended to October 29, 2021), and in no event shall the term of this loan be earlier than the release date of the HDC Loan. Also, during fiscal 2019, HHAC advanced \$4,690,247 (HHAC Loan) to the Corporation. The HHAC Loan bears interest of 1% and payments of interest and principal are deferred until the end of the 30th year of the contract compliance period, which is estimated to be 2047.

During fiscal year 2020, HDC advanced \$3,920,055 of which the principal balances of \$2,644,730 and \$1,275,325 bear interest at a rate of 2.35% and 5.25%, respectively. These HDC Loans are payable on March 1, 2022 and October 31, 2060. In addition, during fiscal 2020, HPD advanced \$3,797,523 ("HPD Loan") to the Corporation. The HPD Loan bears interest of 0% per annum plus a servicing fee equal to 0.20% per annum on the outstanding principal amount which shall be payable monthly through and including October 29, 2021, and in no event shall the term of this loan be earlier than the release date of the HDC Loan. There were no advances from HHAC Loan to the Corporation, during fiscal 2020.

PROJECT RENEWAL, INC., AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 13 — LOANS PAYABLE (Continued)

During fiscal year 2021, HDC advanced \$1,953,613 of which the principal balances of \$1,708,972 and \$244,641 bear interest at a rate of 2.35% and 5.25%, respectively. These HDC Loans are payable on March 1, 2022 and October 31, 2060. In addition, during fiscal year 2021, HHAC advanced \$361,518 (HHAC Loan) to the Corporation. The HHAC Loan bears interest of 1% and payments of interest and principal are deferred until the end of the 30th year of the contract compliance period, which is estimated to be 2047. Accrued interest on HDC loans amounted to \$150,867 as of each June 30, 2022 and 2021.

During fiscal year 2022, 10 Minerva Place LP worked with HDC and Bank of America to pay down the \$16,790,000 of HDC short term bonds with April 2022 maturity date. Such short-term bonds were paid off with a \$13,758,638 LIHTC equity contribution from Bank of America and \$3,031,362 HDC 2nd mortgage contribution. The remaining debt financing from HDC, HPD and HHAC is long term debt that expires in thirty years from financing conversion. The conversion is expected to be in February 2023.

Construction loans for the projects have been fully drawn, and short-term debt has been retired. The outstanding loans from HPD, HDC and HHAP total \$35,233,397 as of June 30, 2022 and are not due for thirty years.

As a condition of the HDC Loan, 10 Minerva Place GP secured an irrevocable unsecured standby letter of credit from Bank of America, N.A. not to exceed \$30,262,500, which was reduced to \$20,170,000 with the short-term bond paydown in April 2022 and is expected to be released in February 2023.

F. Project Renewal, Inc. - Recoverable Grant

During the year ended June 30, 2017, the Corporation recognized a \$375,000 pledge, of which \$255,000 was recognized as a contribution and \$120,000 was recognized as a recoverable grant, in accordance with the donor's intentions. The recoverable grant is required to be repaid in three equal installments beginning in fiscal year 2020, without interest. During the year ended June 30, 2020, the Corporation received an additional \$120,000 recoverable grant to be repaid in three equal installments beginning fiscal 2022, without interest. As of June 30, 2022 and 2021, the ending balances were \$120,000 and \$160,000, respectively.

G. 161 Lexington HDFC

During 2021, the Corporation received a loan commitment from the Corporation for Supporting Housing for a project to redevelop a former 117 room hotel on Lexington Avenue, New York, NY into a studio housing for formerly homeless individuals. The project has been discontinued during 2022 and funds were repaid.

H. New Providence HDFC

In June 2022, the Corporation received approval for the New York City Department of Homeless Services to transfer the ownership of the New Providence Shelter to the Corporation to redevelop as a building that contains a new shelter, supportive/affordable housing, and a primary care clinic. Monadnock Development will be the Corporation's Development Partner and contractor. In October 2022, the Corporation entered into an agreement for a predevelopment loan of \$2,344,000 with the Leviticus Alternative Fund, Inc. The loan has a fixed interest rate of 5.75%, non-amortizing during the term with interest-only payments on funds drawn. The loan terminates the earlier of (i) construction closing or (ii) June 1, 2024 (two years from pre-development closing). As of June 30, 2022 and 2021, the amount advanced amounted to \$289,526 and \$196,770, respectively.

I. West 59th Shelter HDFC

On February 17, 2022, the Corporation closed on the acquisition of a site in New York, NY for the purpose of constructing a purpose-built shelter that will be called the W 59th Street Shelter. The acquisition was financed by a loan from Nuveen Alternatives Advisors LLC (Nuveen). The facility will offer 200 transitional housing beds for single women. The Corporation owns the building and serves as co-developer with Hudson Companies. As of June 30, 2022 and 2021, the principal balance of the loan was \$25,457,298 and \$0, respectively.

The loans payable balances reported in the accompanying consolidated statements of financial position are presented net of the unamortized balance of debt issuance costs of \$449,816 and \$472,276 as of June 30, 2022 and 2021, respectively. Amortization of these costs is calculated by the straight-line method, which approximates the effective interest method.

PROJECT RENEWAL, INC., AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 13 — LOANS PAYABLE (Continued)

Future annual principal payments are as follows for the five years ending after June 30, 2022 and thereafter:

2023	\$ 39,071,198
2024	537,259
2025	558,292
2026	540,215
2027	563,065
Thereafter	<u>53,647,108</u>
Subtotal	94,917,137
Less: unamortized debt issuance costs	<u>(449,816)</u>
Total	<u>\$ 94,467,321</u>

Outstanding construction loans due during various time in 2023 are expected to be refinance or converted to permanent financing.

The interest expense and amortization of debt issuance costs for the years ended June 30, 2022 and 2021 amounted to \$1,454,898 and \$1,039,482, respectively. Unless material, below market interest loans are not discounted to fair value.

Principal and interest payments pertaining to outstanding loans payable, excluding the recoverable grant, are not cash payments made by the Corporation. Those payments are the responsibility of each government agency as the Corporation meets the obligations of the respective contract.

NOTE 14 — PAYCHECK PROTECTION PROGRAM LOAN

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (“SBA”) sector of the government. The maximum loan amount is equal to the lesser of (a) 2.5 times the entity’s average monthly payroll costs, as defined and incurred during the one-year period before the date on which the loan is made; or (b) \$10 million. The term of the loan is two years and bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the 24-week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to the Corporation’s employees. The Corporation applied for this loan in March 2021, through an SBA authorized lender, Capital One and has been approved and funded by the lender in the amount of \$8,263,870.

The Corporation is guided by Accounting Standards Codification (“ASC”) Topic 470, “Debt.” Based on the guidance in ASC 470, the loan would remain recorded as a liability until it is in part or wholly forgiven and legal release is received or the entity pays off the loan. Once the loan is forgiven in part or wholly, and legal release is received, the Corporation will reduce the liability by the amount forgiven and record a gain on extinguishment. On March 15, 2022, the Corporation received partial forgiveness of the PPP loans in the amount of \$6,971,035, the outstanding balance is being repaid in accordance with the loan terms. Outstanding balance amounts to \$1,292,835 as of June 30, 2022.

NOTE 15 — BANK LINE OF CREDIT

The Corporation has a \$5,000,000 line of credit with a financial institution expiring on January 31, 2023. Interest payments on all borrowings are due monthly. Interest is charged at the financial institution's prime rate (3.25% at June 30, 2022) plus 1%. The line of credit is collateralized by grants and contributions receivable. As of June 30, 2022 and December 1, 2022, there was no outstanding balance on the line of credit.

PROJECT RENEWAL, INC., AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 16 — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes on June 30:

	<u>2022</u>	<u>2021</u>
Treatment and transitional housing	\$ 90	\$ 22,079
Medical	1,222,559	1,827,461
Employment services	1,562,396	1,140,194
Permanent housing	<u>1,352,540</u>	<u>1,107,995</u>
	<u>\$ 4,137,585</u>	<u>\$ 4,097,729</u>

Net assets were released from restrictions during the years ended June 30 by incurring expenses satisfying the restricted purposes as follows:

	<u>2022</u>	<u>2021</u>
Treatment and transitional housing	\$ 25,590	\$ 39,784
Medical	857,841	1,414,561
Employment services	141,618	385,527
Permanent housing	<u>1,172,723</u>	<u>163,876</u>
	<u>\$ 2,197,772</u>	<u>\$ 2,003,748</u>

NOTE 17 — SOCIAL PURPOSE VENTURE

The Corporation's Culinary Arts Training Programs offer six months of classroom and internship training in the food service industry to low-income and formerly homeless adults. Students learn basic cooking theory and food preparation in the teaching kitchen. For the years ended June 30, 2022 and 2021, the Corporation's Culinary Arts Training Program received \$49,020 and \$49,134, respectively, from New York State Education Department.

NOTE 18 — PENSION PLANS

The Corporation has a defined contribution pension plan under Section 401(a) of the Code. The Corporation may make discretionary contributions to the plan for eligible employees. There were no pension contributions or expense for the years ended June 30, 2022 and 2021.

In addition, the Corporation has a defined contribution plan under Section 403(b) of the Code. The Corporation made matching contributions amounting to \$397,615 and \$428,381 to this plan for the years ended June 30, 2022 and 2021, respectively.

NOTE 19 — CHANGE IN NON-CONTROLLING LIMITED PARTNERS' INTERESTS

	<u>Total</u>	<u>Controlling Interest</u>	<u>Non-Controlling Interest</u>
Balance, June 30, 2020	\$ 2,208,083	\$ (1,278)	\$ 2,209,361
Net loss	<u>(1,535,816)</u>	<u>(153)</u>	<u>(1,535,663)</u>
Balance, June 30, 2021	672,267	(1,431)	673,698
Net loss	(3,777,292)	(377)	(3,776,915)
Capital contributions	17,416,961	-	17,416,961
Balance, June 30, 2022	<u>\$ 14,311,936</u>	<u>\$ (1,808)</u>	<u>\$ 14,313,744</u>

PROJECT RENEWAL, INC., AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 20 — COMMITMENTS AND CONTINGENCIES

- A. The Corporation is a defendant in several lawsuits that have arisen in the ordinary course of business. It is management's belief that any settlements that arise from these suits will be within the limits of the Corporation's insurance policies. Therefore, no provision has been made in the accompanying consolidated financial statements.
- B. Management has determined that a portion of its billing to the New York State Office of Medicaid may have been incorrect and overstated in fiscal years 2017 and prior. If found to be accurate, this overstatement may result in monies being returned to New York State. At June 30, 2022 and 2021, approximately \$328,000 and \$460,000 is recorded as due to New York State Office of Medicaid and is included in accounts payable and accrued expenses.
- C. During the year ended June 30, 2020, the Corporation signed a new lease agreement for the space at 200 Varick Street, New York NY commencing on July 1, 2020 for a term of 17 years. As part of the new lease agreement, the Corporation received approximately \$5.7 MM in lease incentives for reconstruction and renovations of the leased space. During fiscal year 2017, the Corporation entered into lease agreements for shelters at 249 Varet Street in Brooklyn, New York and at 175 Blake Avenue in the Bronx, New York, which commenced on September 1, 2016 and February 1, 2017, respectively, and which both expired on June 30, 2020. The lease for 249 Varet Street in Brooklyn was renewed on July 1, 2020 for a period of 5 years expiring on June 30, 2025. In addition, the Corporation leases apartments which are subleased to tenants in the supportive housing program. Rent and occupancy expense amounted to \$13,133,155 and \$12,886,508 for the years ended June 30, 2022 and 2021, respectively, and is included in office rent and occupancy expense in the accompanying consolidated financial statements.

Future minimum lease payments are as follows for the five years ending after June 30, 2022 and thereafter:

2023	\$	8,392,000
2024		7,482,000
2025		7,223,000
2026		3,791,000
2027		2,471,000
Thereafter		<u>19,277,000</u>
	\$	<u>48,636,000</u>

- D. The Corporation believes it has no uncertain tax positions as of June 30, 2022 and 2021 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 21 — CONCENTRATIONS

Cash and cash equivalents and restricted cash that potentially subject the Corporation to a concentration of credit risk include cash accounts with three banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits \$250,000 by approximately \$12,091,000 and \$17,013,000 as of June 30, 2022 and 2021, respectively. This excess includes outstanding checks.

NOTE 22 — SUBSEQUENT EVENTS

Management has evaluated for potential recognition and disclosure events after the date of the consolidated statement of financial position through December 1, 2022, the date the consolidated financial statements were available to be issued.

PROJECT RENEWAL, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2022
(With Comparative Totals for June 30, 2021)

	Project Renewal, Inc.	PRI HDFC	Washington OMH GP	Bronx Boulevard HDFC	PRI Villa HDFC	PRI Villa Avenue GP	10 Minerva Place GP and HDFC	2880 Jerome Avenue	New Providence	West 59th Shelter HDFC	Eliminations	Total 2022	Total 2021
ASSETS													
Cash and cash equivalents	\$ 10,014,381	\$ -	\$ 43,820	\$ 66,579	\$ 5,142	\$ 1,430,623	\$ 354,049	\$ 27,210	\$ 5,631	\$ -	\$ -	\$ 11,947,435	\$ 16,941,420
Investments	160,218	-	-	-	-	-	-	-	-	-	-	160,218	199,944
Accounts and grants receivable, net	34,125,686	-	6,850	-	-	7,932	-	-	-	-	(3,487,843)	30,652,625	32,787,172
Contributions receivable, net	1,021,559	-	-	-	-	-	-	-	-	-	-	1,021,559	1,271,377
Development fee receivable	786,750	-	-	-	-	-	-	-	-	-	(786,750)	-	-
Rent receivable, net	-	-	220,672	-	-	48,866	181,155	-	-	-	-	450,693	260,773
Due from affiliates, net	1,537,517	-	1,856	1,300,000	-	-	-	5,150	-	-	(2,752,103)	92,420	91,192
Prepaid expenses	999,055	-	-	-	-	-	-	-	-	-	-	999,055	916,431
Security deposits and other assets	192,508	-	4,306	4,285	-	32,953	-	-	-	-	-	234,052	375,916
Mortgage receivable	12,500,000	15,203,094	-	-	-	-	-	-	-	-	(15,203,094)	12,500,000	12,500,000
Restricted cash	-	-	864,087	591,037	-	628,918	118,621	-	-	-	-	2,202,663	2,032,427
Assets held for others	143,399	-	-	-	-	-	-	-	-	-	-	143,399	127,339
Investments in rental property, net	-	-	12,575,351	-	-	11,489,271	-	-	-	-	-	24,064,622	25,119,802
Property, equipment and leasehold improvements, net	7,816,692	-	-	6,451,485	-	-	70,577,862	4,989,190	404,358	25,457,298	(250,000)	115,446,885	82,668,619
TOTAL ASSETS	\$ 69,297,765	\$ 15,203,094	\$ 13,716,942	\$ 8,413,386	\$ 5,142	\$ 13,638,563	\$ 71,231,687	\$ 5,021,550	\$ 409,989	\$ 25,457,298	\$ (22,479,790)	\$ 199,915,626	\$ 175,292,412
LIABILITIES													
Accounts payable and accrued expenses	\$ 10,224,427	\$ -	\$ 13,000	\$ 70,100	\$ -	\$ 102,874	\$ 14,918,990	\$ 7,308	\$ -	\$ -	\$ -	\$ 25,336,699	\$ 29,321,818
Accrued salaries and related liabilities	5,421,505	-	-	-	-	-	-	-	-	-	-	5,421,505	2,957,274
Accrued interest	-	-	2,870,154	-	-	1,633,113	150,867	1,100,112	-	-	-	5,754,246	4,996,369
Due to affiliates, net	3,508,660	1,856	1,491,233	-	5,150	129,538	4,343,353	593,406	120,462	-	(6,239,946)	3,953,712	4,438,359
Retainage payable	-	-	-	-	-	-	-	-	-	-	-	-	136,454
Deferred revenue / due to funding source	17,035,100	-	165,116	278,318	-	-	-	-	-	-	-	17,478,534	15,027,624
Deferred developer's fee revenue	786,750	-	740,432	-	-	-	-	-	-	-	(786,750)	740,432	740,432
Deferred rent	7,049,139	-	2,917	-	-	25,266	-	-	-	-	-	7,077,322	7,064,136
Loans payable, net	120,000	15,203,094	14,825,774	7,586,597	-	7,634,004	35,233,397	3,320,724	289,527	25,457,298	(15,203,094)	94,467,321	83,580,416
Paycheck Protection Program loan	1,292,835	-	-	-	-	-	-	-	-	-	-	1,292,835	8,263,870
Enforcement note payable	12,500,000	-	-	-	-	-	-	-	-	-	-	12,500,000	12,500,000
TOTAL LIABILITIES	57,938,416	15,204,950	20,108,626	7,935,015	5,150	9,524,795	54,646,607	5,021,550	409,989	25,457,298	(22,229,790)	174,022,606	169,026,752
NET ASSETS (DEFICIT)													
Without donor restrictions:													
Operating	7,221,764	(1,856)	(4,142)	478,371	(8)	(2,438)	-	-	-	-	(250,000)	7,441,691	1,494,233
Non-controlling interest	-	-	(6,387,542)	-	-	4,116,206	16,585,080	-	-	-	-	14,313,744	673,698
Total without donor restrictions	7,221,764	(1,856)	(6,391,684)	478,371	(8)	4,113,768	16,585,080	-	-	-	(250,000)	21,755,435	2,167,931
With donor restrictions	4,137,585	-	-	-	-	-	-	-	-	-	-	4,137,585	4,097,729
TOTAL NET ASSETS (DEFICIT)	11,359,349	(1,856)	(6,391,684)	478,371	(8)	4,113,768	16,585,080	-	-	-	(250,000)	25,893,020	6,265,660
TOTAL LIABILITIES AND NET ASSETS	\$ 69,297,765	\$ 15,203,094	\$ 13,716,942	\$ 8,413,386	\$ 5,142	\$ 13,638,563	\$ 71,231,687	\$ 5,021,550	\$ 409,989	\$ 25,457,298	\$ (22,479,790)	\$ 199,915,626	\$ 175,292,412

See independent auditors' report.

PROJECT RENEWAL, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2021

	Project Renewal, Inc.	PRI HDFC	Washington OMH GP	Bronx Boulevard HDFC	PRI Villa HDFC	PRI Villa Avenue GP	10 Minerva Place GP and HDFC	2880 Jerome Avenue	161 Lexington HDFC	New Providence	Eliminations	Total 2021
ASSETS												
Cash and cash equivalents	\$ 8,897,424	\$ -	\$ 167,032	\$ 66,506	\$ 5,142	\$ 1,352,272	\$ 6,228,691	\$ 27,581	\$ -	\$ 196,772	\$ -	\$ 16,941,420
Investments	199,944	-	-	-	-	-	-	-	-	-	-	199,944
Accounts and grants receivable, net	32,772,390	-	6,850	-	-	7,932	-	-	-	-	-	32,787,172
Contributions receivable, net	1,271,377	-	-	-	-	-	-	-	-	-	-	1,271,377
Development fee receivable	786,750	-	-	-	-	-	-	-	-	-	(786,750)	-
Rent receivable, net	-	-	230,428	-	-	30,345	-	-	-	-	-	260,773
Due from affiliates, net	3,844,881	-	1,856	1,300,000	-	-	-	5,150	43,499	-	(5,104,194)	91,192
Prepaid expenses	916,431	-	-	-	-	-	-	-	-	-	-	916,431
Security deposits and other assets	331,833	-	5,306	4,285	-	34,492	-	-	-	-	-	375,916
Mortgage receivable	12,500,000	15,203,094	-	-	-	-	-	-	-	-	(15,203,094)	12,500,000
Restricted cash	-	-	800,926	498,487	-	614,523	118,491	-	-	-	-	2,032,427
Assets held for others	127,339	-	-	-	-	-	-	-	-	-	-	127,339
Investments in rental property, net	-	-	13,138,371	-	-	11,981,431	-	-	-	-	-	25,119,802
Property, equipment and leasehold improvements, net	8,319,691	-	-	6,750,714	-	-	62,652,471	4,618,286	296,008	281,449	(250,000)	82,668,619
TOTAL ASSETS	\$ 69,968,060	\$ 15,203,094	\$ 14,350,769	\$ 8,619,992	\$ 5,142	\$ 14,020,995	\$ 68,999,653	\$ 4,651,017	\$ 339,507	\$ 478,221	\$ (21,344,038)	\$ 175,292,412
LIABILITIES												
Accounts payable and accrued expenses	\$ 13,605,006	\$ -	\$ 17,410	\$ 70,000	\$ -	\$ 102,743	\$ 15,523,409	\$ -	\$ 2,307	\$ 943	\$ -	\$ 29,321,818
Accrued salaries and related liabilities	2,957,274	-	-	-	-	-	-	-	-	-	-	2,957,274
Accrued interest	-	-	2,610,469	-	-	1,375,821	150,867	859,212	-	-	-	4,996,369
Due to affiliates, net	4,145,719	1,856	1,356,832	-	5,150	254,988	3,026,419	471,083	-	280,506	(5,104,194)	4,438,359
Retainage payable	136,454	-	-	-	-	-	-	-	-	-	-	136,454
Deferred revenue / due to funding source	14,740,424	-	-	287,200	-	-	-	-	-	-	-	15,027,624
Deferred developer's fee revenue	786,750	-	740,432	-	-	-	-	-	-	-	(786,750)	740,432
Deferred rent	7,041,277	-	2,611	-	-	20,248	-	-	-	-	-	7,064,136
Loans payable, net	160,000	15,203,094	14,806,214	8,044,315	-	7,631,104	49,084,089	3,320,722	337,200	196,772	(15,203,094)	83,580,416
Paycheck protection program loan	8,263,870	-	-	-	-	-	-	-	-	-	-	8,263,870
Enforcement note payable	12,500,000	-	-	-	-	-	-	-	-	-	-	12,500,000
TOTAL LIABILITIES	64,336,774	15,204,950	19,533,968	8,401,515	5,150	9,384,904	67,784,784	4,651,017	339,507	478,221	(21,094,038)	169,026,752
NET ASSETS (DEFICIT)												
Without donor restrictions:												
Operating	1,533,557	(1,856)	(4,021)	218,477	(8)	(1,916)	-	-	-	-	(250,000)	1,494,233
Non-controlling interest	-	-	(5,179,178)	-	-	4,638,007	1,214,869	-	-	-	-	673,698
Total without donor restrictions	1,533,557	(1,856)	(5,183,199)	218,477	(8)	4,636,091	1,214,869	-	-	-	(250,000)	2,167,931
With donor restrictions	4,097,729	-	-	-	-	-	-	-	-	-	-	4,097,729
TOTAL NET ASSETS (DEFICIT)	5,631,286	(1,856)	(5,183,199)	218,477	(8)	4,636,091	1,214,869	-	-	-	(250,000)	6,265,660
TOTAL LIABILITIES AND NET ASSETS	\$ 69,968,060	\$ 15,203,094	\$ 14,350,769	\$ 8,619,992	\$ 5,142	\$ 14,020,995	\$ 68,999,653	\$ 4,651,017	\$ 339,507	\$ 478,221	\$ (21,344,038)	\$ 175,292,412

See independent auditors' report.

PROJECT RENEWAL, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	Project Renewal, Inc.		Total PRI	PRI HDFC	Washington OMH GP	Bronx Boulevard HDFC	PRI Villa HDFC	PRI Villa Avenue GP	10 Minerva Place GP and HDFC	2880 Jerome Avenue	New Providence	West 59th Shelter HDFC	Eliminations	Total 2022	Total 2021
	Without Donor Restrictions	With Donor Restrictions													
REVENUES AND SUPPORT:															
Government grants	89,407,149	\$ -	\$ 89,407,149	\$ -	\$ 1,621,900	\$ 972,714	\$ -	\$ 859,439	\$ 1,167,231	\$ -	\$ -	\$ -	\$ (5,211,698)	\$ 88,816,735	\$ 87,090,754
Third party revenue	4,027,868	-	4,027,868	-	-	-	-	-	-	-	-	-	-	4,027,868	3,468,088
Social purpose ventures	6,540,093	-	6,540,093	-	-	-	-	-	-	-	-	-	-	6,540,093	6,790,215
Rental income	2,249,449	-	2,249,449	-	608,599	-	-	995,961	424,562	-	-	-	(726,724)	3,551,847	2,936,108
Gain on extinguishment of debt	6,971,035	-	6,971,035	-	-	-	-	-	-	-	-	-	-	6,971,035	-
Special events	1,005,439	-	1,005,439	-	-	-	-	-	-	-	-	-	-	1,005,439	1,224,385
Contributions	920,984	2,237,628	3,158,612	-	-	-	-	-	-	-	-	-	-	3,158,612	2,492,402
Miscellaneous income	579,394	-	579,394	-	49,361	73	-	4,423	177	-	-	-	-	633,428	808,379
Net assets released from restrictions	2,197,772	(2,197,772)	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES AND SUPPORT	113,899,183	39,856	113,939,039	-	2,279,860	972,787	-	1,859,823	1,591,970	-	-	-	(5,938,422)	114,705,057	104,810,331
EXPENSES:															
Program Services:															
Outreach	483,117	-	483,117	-	-	-	-	-	-	-	-	-	-	483,117	471,700
Treatment and transitional housing	63,798,124	-	63,798,124	-	-	712,893	-	2,382,146	-	-	-	-	(2,552,867)	64,340,296	67,537,632
Medical services	10,037,221	-	10,037,221	-	-	-	-	-	-	-	-	-	-	10,037,221	9,615,179
Employment services	8,830,685	-	8,830,685	-	-	-	-	-	-	-	-	-	-	8,830,685	8,035,917
Permanent housing	9,564,075	-	9,564,075	-	3,488,345	-	-	-	3,638,720	-	-	-	(3,385,555)	13,305,585	8,347,139
Total program services	92,713,222	-	92,713,222	-	3,488,345	712,893	-	2,382,146	3,638,720	-	-	-	(5,938,422)	96,996,904	94,007,567
Supporting services:															
Management and general	14,187,031	-	14,187,031	-	-	-	-	-	-	-	-	-	-	14,187,031	11,055,394
Fundraising	1,310,723	-	1,310,723	-	-	-	-	-	-	-	-	-	-	1,310,723	837,399
Total supporting services	15,497,754	-	15,497,754	-	-	-	-	-	-	-	-	-	-	15,497,754	11,892,793
TOTAL EXPENSES	108,210,976	-	108,210,976	-	3,488,345	712,893	-	2,382,146	3,638,720	-	-	-	(5,938,422)	112,494,658	105,900,360
CHANGE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS FROM NON-CONTROLLING LIMITED PARTNERS	5,688,207	39,856	5,728,063	-	(1,208,485)	259,894	-	(522,323)	(2,046,750)	-	-	-	-	2,210,399	(1,090,029)
Capital contributions from non-controlling limited partners (Note 13)	-	-	-	-	-	-	-	-	17,416,961	-	-	-	-	17,416,961	-
CHANGES IN NET ASSETS	5,688,207	39,856	5,728,063	-	(1,208,485)	259,894	-	(522,323)	15,370,211	-	-	-	-	19,627,360	(1,090,029)
Net assets - beginning of year	1,533,557	4,097,729	5,631,286	(1,856)	(5,183,199)	218,477	(8)	4,636,091	1,214,869	-	-	-	(250,000)	6,265,660	7,355,689
NET ASSETS - END OF YEAR	\$ 7,221,764	\$ 4,137,585	\$ 11,359,349	\$ (1,856)	\$ (6,391,684)	\$ 478,371	\$ (8)	\$ 4,113,768	\$ 16,585,080	\$ -	\$ -	\$ -	\$ (250,000)	\$ 25,893,020	\$ 6,265,660

**PROJECT RENEWAL, INC. AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Project Renewal, Inc.		Total PRI	PRI HDFC	Washington OMH GP	Bronx Boulevard HDFC	PRI Villa HDFC	PRI Villa Avenue GP	10 Minerva Place GP and HDFC	2880 Jerome Avenue	161 Lexington HDFC	New Providence	Eliminations	Total 2021
	Without Donor Restrictions	With Donor Restrictions												
REVENUES AND SUPPORT:														
Government grants	\$ 87,052,277	\$ -	\$ 87,052,277	\$ -	\$ 1,711,200	\$ 907,639	\$ -	\$ 833,587	\$ -	\$ -	\$ -	\$ -	\$ (3,413,949)	\$ 87,090,754
Third party revenue	3,468,088	-	3,468,088	-	-	-	-	-	-	-	-	-	-	3,468,088
Social purpose ventures	6,790,215	-	6,790,215	-	-	-	-	-	-	-	-	-	-	6,790,215
Rental income	2,245,903	-	2,245,903	-	569,390	-	-	798,919	-	-	-	-	(678,104)	2,936,108
Special events	1,224,385	-	1,224,385	-	-	-	-	-	-	-	-	-	-	1,224,385
Contributions	1,342,109	1,150,293	2,492,402	-	-	-	-	-	-	-	-	-	-	2,492,402
Miscellaneous income	806,309	-	806,309	-	416	904	-	526	224	-	-	-	-	808,379
Net assets released from restrictions	2,003,748	(2,003,748)	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES AND SUPPORT	104,933,034	(853,455)	104,079,579	-	2,281,006	908,543	-	1,633,032	224	-	-	-	(4,092,053)	104,810,331
EXPENSES:														
Program Services:														
Outreach	471,700	-	471,700	-	-	-	-	-	-	-	-	-	-	471,700
Treatment and transitional housing	66,653,750	-	66,653,750	-	-	732,563	-	2,151,889	-	-	-	-	(2,000,570)	67,537,632
Medical services	9,615,179	-	9,615,179	-	-	-	-	-	-	-	-	-	-	9,615,179
Employment services	8,035,917	-	8,035,917	-	-	-	-	-	-	-	-	-	-	8,035,917
Permanent housing	7,139,048	-	7,139,048	-	3,299,574	-	-	-	-	-	-	-	(2,091,483)	8,347,139
Total program services	91,915,594	-	91,915,594	-	3,299,574	732,563	-	2,151,889	-	-	-	-	(4,092,053)	94,007,567
Supporting services:														
Management and general	11,055,394	-	11,055,394	-	-	-	-	-	-	-	-	-	-	11,055,394
Fundraising	837,399	-	837,399	-	-	-	-	-	-	-	-	-	-	837,399
Total supporting services	11,892,793	-	11,892,793	-	-	-	-	-	-	-	-	-	-	11,892,793
TOTAL EXPENSES	103,808,387	-	103,808,387	-	3,299,574	732,563	-	2,151,889	-	-	-	-	(4,092,053)	105,900,360
CHANGE IN NET ASSETS	1,124,647	(853,455)	271,192	-	(1,018,568)	175,980	-	(518,857)	224	-	-	-	-	(1,090,029)
Net assets - beginning of year	408,910	4,951,184	5,360,094	(1,856)	(4,164,631)	42,497	(8)	5,154,948	1,214,645	-	-	-	(250,000)	7,355,689
NET ASSETS - END OF YEAR	\$ 1,533,557	\$ 4,097,729	\$ 5,631,286	\$ (1,856)	\$ (5,183,199)	\$ 218,477	\$ (8)	\$ 4,636,091	\$ 1,214,869	\$ -	\$ -	\$ -	\$ (250,000)	\$ 6,265,660