

Haley House, Inc. & Affiliates

Consolidated Financial Statements with Supplementary
Information and Independent Auditor's Report

December 31, 2023



HALEY HOUSE

Haley House, Inc. & Affiliates

Index

December 31, 2023

Independent Auditor's Report	1
Consolidated Financial Statements:	
Consolidated Statement of Financial Position December 31, 2023	3
Consolidated Statement of Activities Year Ended December 31, 2023	5
Consolidated Statement of Functional Expenses Year Ended December 31, 2023	6
Consolidated Statement of Cash Flows Year Ended December 31, 2023	7
Notes to the Consolidated Financial Statements	8
Supplementary Information:	
Consolidating Statement of Financial Position December 31, 2023	21
Consolidating Statement of Activities Year Ended December 31, 2023	23



Independent Auditors' Report

To the Board of Directors
Haley House, Inc. & Affiliates

Opinion

We have audited the consolidated financial statements of Haley House, Inc. (a nonprofit organization) and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2023, 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 Haley House, Inc. & Affiliates as of December 31, 2023, and the change in their net assets and their 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Haley House, Inc. & Affiliates, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 Haley House, Inc. & Affiliates' ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the 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 auditor's 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 Haley House, Inc. & Affiliates' 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 Haley House, Inc. & Affiliates' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities, which is the responsibility of management, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Nash CPAs LLC

Nash CPAs LLC

Norwood, MA

June 20, 2024

Haley House, Inc. & Affiliates

Consolidated Statement of Financial Position December 31, 2023

ASSETS

Current Assets

Cash and cash equivalents	\$ 4,256,185
Accounts receivable, net	169,525
Contributions receivable, net	9,070
Prepaid expenses	<u>114,060</u>
Total current assets	<u>4,548,840</u>

Restricted Deposits and Funded Reserves

Tenant security deposits	34,068
Replacement reserve	117,294
Real estate tax and insurance escrows	33,360
Other reserves	<u>999,090</u>
Total restricted deposits and funded reserves	<u>1,183,812</u>

Fixed Assets

Land	656,937
Buildings	22,496,508
Building improvements	2,886,720
Furnishing and equipment	<u>507,443</u>
Total fixed assets	26,547,608
Less: accumulated depreciation	<u>(12,176,138)</u>
Total net fixed assets	<u>14,371,470</u>

Other Assets

Deposits	<u>11,500</u>
Total other assets	<u>11,500</u>
Total Assets	\$ <u>20,115,622</u>

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

Haley House, Inc. & Affiliates

Consolidated Statement of Financial Position - continued
December 31, 2023

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	246,783
Accrued interest		23,537
Accrued expenses		105,096
Long-term debt, current		93,629
Deferred revenue, current		<u>11,965</u>
Total current liabilities		<u>481,010</u>

Long Term Liabilities

Deferred revenue, net of current		416,667
Long term debt, net of current and debt issuance costs		<u>16,011,827</u>
Total long term liabilities		<u>16,428,494</u>

Net Assets

Net assets without donor restrictions		2,881,550
Net assets with donor restrictions		<u>324,568</u>
Total net assets		<u>3,206,118</u>

Total Liabilities and Net Assets \$ 20,115,622

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

Haley House, Inc. & Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2023

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Contributions and grants	\$ 691,119	\$ 465,477	\$ 1,156,596
Donated materials and services	319,486	-	319,486
Rental	3,323,907	-	3,323,907
Investment, net	30,868	-	30,868
Miscellaneous	125,574	-	125,574
Net assets released from restrictions	<u>748,160</u>	<u>(748,160)</u>	<u>-</u>
Total revenue and support	<u>5,239,114</u>	<u>(282,683)</u>	<u>4,956,431</u>
Expenses			
Program services	3,618,026	-	3,618,026
Administrative	695,176	-	695,176
Fundraising	<u>310,866</u>	<u>-</u>	<u>310,866</u>
Total expenses	<u>4,624,068</u>	<u>-</u>	<u>4,624,068</u>
Change in Net Assets	615,046	(282,683)	332,363
Net Assets at Beginning of Year	<u>2,266,504</u>	<u>607,251</u>	<u>2,873,755</u>
Net Assets at End of Year	<u>\$ 2,881,550</u>	<u>\$ 324,568</u>	<u>\$ 3,206,118</u>

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

Haley House, Inc. & Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2023

	Social Enterprise Bakery Café	Housing Program	Foods, Meals, and Farming	Total Program	Administrative	Fundraising	Total
Bad debt	\$ -	\$ 28,251	\$ -	\$ 28,251	\$ -	\$ -	\$ 28,251
Consultants and professional fees	3,668	12,055	15,203	30,926	456,989	4,237	492,152
Cost of goods sold	-	-	-	-	-	-	-
Depreciation	30,685	649,733	58,453	738,871	5,391	5,391	749,653
Food, ingredients and merchandise	-	-	41,575	41,575	4,578	1,748	47,901
Fringe benefits and payroll tax	10,352	65,566	35,784	111,702	60,923	27,462	200,087
Insurance	32,987	100,179	33,001	166,167	8,221	5,145	179,533
Interest	18,859	541,062	31,946	591,867	6,868	6,736	605,471
Miscellaneous	-	2,520	23,646	26,166	8,395	1,161	35,722
Occupancy	45,525	758,678	63,904	868,107	10,002	9,093	887,202
Office supplies and expenses	5,097	43,583	318,035	366,715	5,855	27,282	399,852
Salaries	18,403	371,258	258,018	647,679	127,954	222,611	998,244
Total expenses by function	\$ 165,576	\$ 2,572,885	\$ 879,565	\$ 3,618,026	\$ 695,176	\$ 310,866	\$ 4,624,068

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

Haley House, Inc. & Affiliates

Consolidated Statement of Cash Flows Year Ended December 31, 2023

Cash Flows from Operating Activities

Change in net assets	\$ 332,363
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	749,655
Investment, net	(30,584)
Amortization of debt issuance costs, included in interest	22,284
Decrease (increase) in assets:	
Accounts receivable	115,774
Contributions receivable	165,000
Prepaid expenses	(4,817)
Increase (decrease) in liabilities:	
Accounts payable	106,778
Accrued interest	12,667
Accrued expenses	26,743
Deferred revenue	<u>2,891</u>
Net Cash Provided by Operating Activities	<u>1,498,754</u>

Cash Flows from Investing Activities

Purchase of fixed assets	(836,800)
Net change in restricted deposits and funded reserves	(31,982)
Proceeds from the sale of investments	800,537
Purchase of investments	<u>(422,806)</u>
Net Cash Used in Investing Activities	<u>(491,051)</u>

Cash Flows from Financing Activities

Repayments of long term debt	<u>(87,843)</u>
Net Cash Used in Financing Activities	<u>(87,843)</u>

Net Increase in Cash and Cash Equivalents and Restricted Cash 919,860

Cash, Cash Equivalents, and Restricted Cash - Beginning 4,369,483

Cash, Cash Equivalents, and Restricted Cash - Ending **\$ 5,289,343**

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest **\$ 571,185**

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

Haley House, Inc. & Affiliates

Notes to Consolidated Financial Statements
December 31, 2023

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies followed by Haley House, Inc. & Affiliates (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

Nature of Activities

Through food, personal relationships, and the power of community, the Organization breaks down barriers between people, empowers individuals, and strengthens neighborhoods. We believe in radical solutions: solving problems at their root by challenging the attitudes and structures that perpetuate suffering while building innovative models as creative alternatives. Begun as a soup kitchen in 1966, Haley House, Inc. has grown into a multifaceted organization deeply rooted in two Boston neighborhoods: the South End and Roxbury. In the Organization's 50+ year history, the Organization has expanded creatively in direct response to the needs of those who come to our doors. The following program divisions are listed in order of relative importance based upon total program expenditures:

Social Enterprise Bakery Café - Located in Roxbury since 2005, the Bakery Café has been characterized as a community center disguised as a café. In addition to delicious, healthy, and affordable food, the social enterprise restaurant offers dignified work and job skills training for people transitioning out of incarceration and is home to extensive arts and cultural programming. The Social Enterprise Baker Cafe division accounted for 5% of total program expenditures for the Period.

Housing Program - The Housing Program provides secure homes to low-income families and formerly homeless people with more than 110 units of permanent, affordable housing scattered throughout the South End and Roxbury. The Housing Program division accounted for 71% of total program expenditures for the Period.

Food, Meals, and Farming - Each year, Soup Kitchen volunteers serve more than 36,000 made-from-scratch meals 9 times a week and distribute over 10,000 bags of food through the weekly Food Pantry. These programs are coordinated by a Live-In Community of long-term volunteers who donate their time in exchange for room and board. Haley House, Inc. is responsible for two plots of reclaimed urban land in Roxbury and the South End, which provide seasonal produce for the Soup Kitchen, Bakery Café, and other programs. Other programs include Take Back the Kitchen, a hands-on cooking program taught by professional chefs reaching over 400 young people and their families each year and the Life Foundations Training (LiFT) offering job and life-skills training for people returning from incarceration. The Food, Meals and Farming division accounted for 24% of total program expenditures for the Period.

Basis of Presentation

The consolidated statement of activities reports all changes in net assets, including changes in net assets without donor restrictions from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Organization's ongoing efforts. Investment income, realized and unrealized gains and losses on investments, net of related management fees are reported as operating revenue. The consolidated financial statements include the accounts of Haley House, Inc. and its wholly owned subsidiaries that are controlled by Haley House, Inc. through common board members. All financial data has been maintained within the books and records of Haley House, Inc. All material intercompany transactions and accounts have been eliminated in consolidation.

Haley House, Inc. & Affiliates

Notes to Consolidated Financial Statements December 31, 2023

Haley House, Inc. is a Massachusetts not-for-profit corporation formed to provide basic needs of food and shelter to poor and homeless individuals.

Haley House Bakery Café Operating LLC is wholly owned by Haley House, Inc. to own and operate the non-profit bakery and café operations.

Haley House Bakery Café 12 Dade LLC is wholly owned by Haley House, Inc. to own and manage certain real property located in Roxbury, Massachusetts.

HH Interfaith LLC is wholly owned by Haley House, Inc. to act as a managing member in certain real estate ventures of Haley House, Inc.

HH Interfaith Owner LLC is wholly owned by Haley House, Inc. to acquire, rehabilitate, own, maintain and operate 69 residential units of low-income housing and two commercial spaces located in Boston, Massachusetts.

Standards of Accounting and Reporting

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Organization’s net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The consolidated statement of financial position presents two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the consolidated statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Net Assets with Donor Restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Revenue Recognition

The Organization earns revenue as follows:

The Organization generally measures revenue based on the amounts of consideration it expects to be entitled for the transfers of goods and services to a customer, then recognizes its revenue as performance obligations are satisfied under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Corporation evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

Haley House, Inc. & Affiliates

Notes to Consolidated Financial Statements December 31, 2023

Contributions and Grants - In accordance with Accounting Standards Codification (“ASC”) Subtopic 958-605, Revenue Recognition, the Organization must determine whether a contribution or grant (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution or grant is considered to be a conditional contribution or grant if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Contributions and grants without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions and grants with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse. Contributions and grants with donor restrictions received and satisfied in the same period are included in grants and contributions without donor restrictions.

Donated Materials - Donations of materials are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Services - Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Organization. Volunteers also provided fundraising and client services throughout the year that are not recognized as contributions in the consolidated financial statements since the recognition criteria were not met.

Commercial Products and Services - Commercial products and services are recognized as services are rendered and when units or services are provided. Commercial products and services are recognized as miscellaneous income on the statement of activities.

Rental - Rental revenue is recognized as rentals become due and are accounted for under Leases (Topic 842). Rental revenue is derived from tenant and subsidy leases. All leases between the Organization and its tenants are operating leases. Rental revenue is recognized as occupancy is provided on a straight-line basis over the rented lease terms. Rental payments received in advance are deferred.

Deferred revenue represents rental income received in advance and the sale of commercial products received prior to year-end. These amounts are deferred and recognized over the periods to which the fees relate.

Accounts and Notes Receivable

Accounts and notes receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts and notes.

Haley House, Inc. & Affiliates

Notes to Consolidated Financial Statements December 31, 2023

Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts and notes receivable.

The Organization does not have a policy to accrue interest on accounts receivable. The Organization has no policies requiring collateral or other security to secure the accounts receivable. The Organization has a policy to collect security deposits of up to one month's rent from tenants. The security deposits can be used to pay for damages caused by the tenant or used against unpaid receivables. As of December 31, 2023, 92% of the Organization's accounts receivable is due from a governmental agency.

Cash and Cash Equivalents, Restricted Deposits, and Funded Reserves

The Organization considers all highly liquid investments purchased with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents.

The Organization maintains its cash and investment balances at several financial institutions. The investments are insured by the Securities Investment Protection Corporation (SIPC). This insurance protects customer securities from creditors in the event of a business failure of the broker/dealer. Insurance does not provide protection against market fluctuations.

The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of December 31, 2023.

Restricted cash consists of accounts required by regulatory and loan agreements. See Note 2 for the details of restricted cash.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Payroll and associated costs are allocated to functions based upon actual time charges. Occupancy costs are allocated based upon square footage.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statement of financial position. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during 2023. Net investment return/(loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct investment expenses. Investments are exposed to risks such as interest rate, credit and overall market volatility.

Haley House, Inc. & Affiliates

Notes to Consolidated Financial Statements December 31, 2023

Amortization

Debt issuance costs relating to the permanent loan are amortized over the term of the loan using the effective yield method, as required by U.S. GAAP. Unamortized debt issuance costs are presented as a deduction from the carrying value of the mortgage note payable. Amortization expense on debt issuance costs has been included in interest expense on the accompanying consolidated statement of operations.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of December 31, 2023, management has determined any allowance would be immaterial.

Conditional promises to give are not recognized in the consolidated financial statements until the conditions are substantially met. As of December 31, 2023, there were no conditional promises to give expected to be received in future years.

Fundraising

Fundraising relates to the activities of raising general and specific contributions to the Organization and promoting special events. Fundraising expenses as a percentage of total contributions was 21% for 2023. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

Fixed Assets

Fixed assets are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated statement of activities.

The Organization computes depreciation using the straight-line method over the following estimated lives:

Buildings	40 years
Building Improvements	20-40 years
Furnishings and Equipment	5-10 years

Fixed assets are reviewed for impairment if the use of the asset significantly changes, or another indicator or possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value. There was no impairment loss recognized during 2023.

Haley House, Inc. & Affiliates

Notes to Consolidated Financial Statements December 31, 2023

Designation of Net Assets without Donor Restrictions

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements and acquisitions from time to time and to designate appropriate sums of net assets without donor restrictions to assure adequate financing of such improvements and acquisitions, see Note 3.

Use of Estimates

In preparing the Organization's consolidated financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1) of the IRC.

Management has analyzed the tax positions taken by the Organization and has concluded that, as of December 31, 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

Generally, tax years from December 31, 2020 through the current year remain open to examination by the Internal Revenue Service. The Organization does not believe that the results from any examination of these open years would have a material adverse effect on the Organization.

Haley House Bakery Café Operating LLC, Haley House Bakery Café 12 Dade LLC and Haley House Interfaith Owner LLC are limited liability companies with Haley House, Inc. as its sole member and, consequently, are disregarded entities having no tax status. These entities are consolidated and filed with Haley House, Inc.'s nonprofit tax return.

Below Market Loan

The Organization has programs which create low-income housing. Governmental entities, having a similar agenda to foster low-income housing, have lent money to the Organization at advantageous terms. The Organization has not discounted these below market loans as they were made at arm's length and to foster the creation of low-income housing.

(2) Restricted Deposits and Funded Reserves

The Organization's restricted deposits and funded reserves balance consists of funds restricted for tenant security deposits and funds held in escrow. These amounts support either a corresponding liability or restricted net asset position.

Haley House, Inc. & Affiliates

Notes to Consolidated Financial Statements
December 31, 2023

Tenant Security Deposits

The Organization has a policy to collect security deposits of up to one month's rent from tenants. The security deposits can be used to pay for damages caused by the tenant or used against unpaid receivables.

Replacement Reserve

In accordance with the Regulatory Agreement, the Organization maintains an account established for repairs and capital improvements. The Organization shall make required monthly deposits \$933 which is subject to an automatic annual adjustment factor published by the United States Department of Housing and Urban Development and reserves can only be drawn upon with permission from MassHousing. Deposits and disbursements were made in accordance with the Regulatory Agreement during 2023.

Real Estate and Insurance Escrows

The Organization established a reserve and makes deposits monthly of \$1,700 as required by MassHousing note agreements to fund disbursements for real estate taxes, assessments, liens and insurance premiums. The escrow funds are held by MassHousing and can only be drawn upon with permission of MassHousing. Deposits and disbursements were made in accordance with the note agreements during 2023.

Other Reserves

Other reserves consist of funds received during the HH Interfaith Owner LLC acquisition that will be used for a future refinancing/syndication in 2024.

(3) Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of December 31, 2023, net assets with donor restrictions are restricted for the following purposes:

Subject to expenditure for a specified time and purpose:	
23 Dartmouth Kitchen Remodel	\$ 10,000
Take Back the Kitchen	136,803
Life Foundations Training(LiFT)	25,782
Urban Farm & Garden	43,983
Mural for Bakery	15,000
Common Kitchen Renovations and Appliances	13,000
Case Manager Position	80,000
	<u>324,568</u>
Total net assets with donor restrictions	\$ <u>324,568</u>

Net assets released from restrictions during 2023 were \$748,160, of which, \$680,460 were from program restrictions, \$17,700 were from special events, and \$50,000 were from time restrictions .

Haley House, Inc. & Affiliates

Notes to Consolidated Financial Statements December 31, 2023

Net Assets Without Donor Restrictions

The Organization's net assets without donor restrictions are comprised of the following purposes as of December 31, 2023:

Undesignated	\$ 1,261,335
Designated for single room occupancy program	<u>1,620,215</u>
Total	\$ <u>2,881,550</u>

In accordance with the Regulatory Agreement, all net assets associated with the single room occupancy housing program must remain associated with the Project and cannot be used for any other purpose involving Haley House, Inc. This development is financed by MassHousing. Sale or encumbrance of the property is prohibited, and use of any financial assets is restricted to operating costs associated with the property under the terms of a regulatory agreement. The regulatory agreement will remain in effect for the duration of the first mortgage loan.

(4) Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of December 31, 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year from the consolidated statement of financial position date:

Financial assets at December 31, 2023:

Cash and cash equivalents	\$ 4,256,185
Accounts and contributions receivable, net	<u>178,595</u>
Total	<u>4,434,780</u>

Less amounts unavailable for general expenditures within one year, due to:

Purpose restrictions	324,568
Designated by board for single room occupancy	<u>1,620,215</u>
Total	<u>1,944,783</u>

Financial assets available to meet cash needs for general expenditures within one year:	\$ <u>2,489,997</u>
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As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

Haley House, Inc. & Affiliates

Notes to Consolidated Financial Statements
December 31, 2023

(5) Long term Debt

MassHousing

The Organization has first and second mortgage notes payable. The first mortgage is provided by MassHousing with a loan dated September 1, 2009. The loans bear interest at a rate of 6.25% per annum. The property has been pledged as collateral for the mortgages. The loans are being amortized over a 30-year term and require monthly principal and interest payments totaling \$5,062 through maturity in May 2029. The loans also require monthly mortgage service fee payments of \$339. The Project is subject to a regulatory agreement which limits the use of the property to low-income housing. During 2023, interest expense and mortgage service fee payments amounted to \$19,353 and 4,072, respectively. As of December 31, 2023, the principal balance and accrued interest were \$271,765 and \$1,544, respectively.

Boston Community Loan Fund

On April 6, 2015, Haley House Inc., and Haley House Bakery Café 12 Dade Street LLC executed with Boston Community Loan Fund a non-revolving line of credit not to exceed \$750,000. The line of credit accrues interest at a rate of 6% per annum. On April 6, 2018, the borrower began making monthly payments of principal and interest based upon a 20- year amortization schedule. On April 6, 2025, the maturity date, the unpaid principal balance plus any accrued and unpaid interest are required to be paid. This loan is subordinated to the Eastern Bank loan of \$1,680,000. This loan agreement is collateralized by the property located at 12 Dade Street, 2139 Washington Street and 16, 20, 22 and 24 Dade Street, Boston and the second collateral assignment of leases and rents of these properties. During 2023, interest expense amounted to \$23,177. As of December 31, 2023, the outstanding principal and accrued interest was \$329,258 and zero, respectively.

Eastern Bank

On February 27, 2015, Haley House, Inc. borrowed from Eastern Bank a sum of \$1,680,000. The loans bear interest at a rate of 5.43% per annum. Haley House, Inc. is required to make monthly installments of principal and interest based upon a 10-year amortization schedule. On February 27, 2025, the maturity date, the remaining principal balance plus any accrued and unpaid interest are due. This loan was used to finance the purchase of the property at 12 Dade Street, Boston. The Eastern Bank loan is collateralized by a mortgage on certain real property owned by Haley House, Inc. and a collateral assignment of leases and rents at this property. During 2023, interest expense amounted to \$83,816. As of December 31, 2023, the outstanding principal and accrued interest was \$1,503,730 and zero, respectively. The Loan contains a debt service coverage ratio covenant that requires the Organization to maintain a debt service coverage ratio (DSCR) of 1.10:1. As of December 31, 2023, the Organization did maintain the required coverage.

HH Interfaith Owner LLC has a first mortgage payable to Eastern Bank in the original amount of \$13,370,000. The note bears compounding interest at 3.25% and matures in July 2024. Interest-only payments are due on the 15th of each month through maturity. During 2023, interest expense amounted to \$440,560. As of December 31, 2023, the outstanding principal and accrued interest was \$13,370,000 and zero, respectively. Management expects the loan to be converted to permanent financing and as such the note was included in long term debt on the accompanying consolidated statement of financial position. As

As of December 31, 2023, the outstanding principal balance of the mortgage note payable less unamortized debt issuance costs is \$13,357,003. of December 31, 2023, unamortized deferred debt issuance costs of \$12,997 consist of debt issuance costs of \$66,850 less accumulated amortization of \$53,853. During the year ended December 31, 2023, amortization expense incurred was \$22,284 and was included in interest on the accompanying consolidated statement of functional expenses.

Haley House, Inc. & Affiliates

Notes to Consolidated Financial Statements
December 31, 2023

Massachusetts Housing Partnership (“MHP”)

HH Interfaith Owner LLC has a shared second mortgage note payable to MHP, borrowed under the Capital Improvement and Preservation Fund (“CIPF”) from the Department of Housing and Community Development in the original amount of \$1,287,400. The note bears simple interest at 1% annually. No payments of principal or interest are due under the note before the maturity date of April 3, 2033. During 2023, interest expenses amounted to \$12,874. As of December 31, 2023, the outstanding principal balance was \$643,700 and the accrued interest balance was \$21,993.

Future minimum payments are as follows:

	2024	\$	93,629	
	2025		397,959	
	2026		1,481,072	
	2027		52,495	
	2028		55,775	
	Thereafter		14,037,523	
	Total	\$	16,118,453	

Interest expense on all debt amount to \$583,852 for the year ended December 31, 2023.

(6) Contributed Nonfinancial Assets

For 2023, contributed nonfinancial assets recognized within the statement of activities included:

	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Professional services	\$ 26,962	Administration	None	Fair market value of the asset at the date of donation
Donated food, pantry, and soup kitchen goods	266,039	Program services	None	Fair market value of the asset at the date of donation
Donated fixed assets	26,485	Program services	None	Estimated wholesale prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology, considering the goods’ condition and utility for use at the time of the contribution
Total	\$ 319,486			

Haley House, Inc. & Affiliates

Notes to Consolidated Financial Statements
December 31, 2023

(7) Ground Lease

Haley House Interfaith Owner LLC assumed a ground lease during the acquisition. In accordance with the ground lease, the land is subject to a 99-year lease dated April 3, 2004 with the Boston Housing Authority. Base rents shall be in the amount of \$1 per year. Haley House Interfaith Owner LLC is also responsible for all operating expenses related to the Project.

(8) 2147 LIHTC Owner LLC Development

2147 LIHTC Owner LLC (“2147”) is a moderate scale redevelopment effort by an unrelated for profit developer located on several contiguous parcels with multiple owners that surround 12 Dade Street, the mortgaged premises of Haley House Bakery Cafe and residential units owned by Haley House, Inc. As part of this development, the Organization has allowed a land swap of a portion of their mortgaged premises, off street access and some parking, in exchange for the new construction of a brand new 2,000 square foot cafe to be owned by the Organization, upon completion in early 2025.

As part of the development of 2147, the Organization served as sponsor for a \$300,000 Accessibility Affordable Housing Grant from the Community Economic Development Assistance Corporation (“AAHG Grant”) and a \$1,200,000 Neighborhood Housing Trust Grant from the City of Boston (“AHT Grant”). The grants were passed through the Organization to 2147 in the form of promissory notes.

The AAHG Grant was made under certain conditions that allow CEDAC to recapture the grant for a period of up to five years. As a result, the AAHG Grant has been recorded as deferred grant revenue and will be recognized as revenue once the five year recapture has ended.

The AHT Grant has no recapture provisions related to the Organization and subsequent to the pass through of the grant, the associated promissory note was assigned to the City of Boston. The grant revenue related to this transaction was netted with the loan assignment for no financial effect to the Organization.

Haley House Bakery Café 12 Dade LLC entered into a ground lease with 2147, an unrelated entity. The ground lease required an initial payment of \$120,000 and no additional payments over the 99-year term of the lease. The Organization will recognize the initial payment into revenue over the term of the lease. As of December 31, 2023, the deferred revenue from the ground lease totaled \$117,879, of which \$1,212 is included with current liabilities deferred revenue and \$116,667 is included with long-term deferred revenue on the consolidated statement of financial position.

In connection to the ground lease, the Organization incurred \$55,460 in costs. These costs were capitalized as prepaid expenses on the consolidated statement of financial position and will be amortized over the life of the ground lease. As of December 31, 2023, unamortized prepaid ground lease costs totaled \$54,480.

Haley House, Inc. & Affiliates

Notes to Consolidated Financial Statements
December 31, 2023

(9) Statement of Cash Flows

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statement of financial position that sum to the total of the same such amounts in the accompanying consolidated statement of cash flows:

Cash and cash equivalents	\$	4,256,185
Other reserves		999,090
Tenant security deposits		<u>34,068</u>
Total cash and restricted cash shown in the consolidated statements of cash flows	\$	<u>5,289,343</u>

(10) Subsequent Events

The Organization has performed an evaluation of subsequent events through June 20, 2024, which is the date the Organization's consolidated financial statements were available to be issued. No material subsequent events have occurred, other than the item noted below, since December 31, 2023 that required recognition or disclosure in these consolidated financial statements.

Supplementary Information

Haley House, Inc. & Affiliates

Consolidating Statement of Financial Position As of December 31, 2023

	ASSETS					Total
	SRO Division	Interfaith Division	HH Division	Bakery Division	Eliminations	
Current Assets						
Cash and cash equivalents	\$ 541,103	\$ 1,578,684	\$ 2,076,408	\$ 59,990	\$ -	\$ 4,256,185
Accounts receivable, net	2,115	70,963	96,447	-	-	169,525
Due from affiliate	-	-	2,626,768	-	(2,626,768)	-
Contributions receivable, net	-	-	9,070	-	-	9,070
Prepaid expenses	-	25,752	88,308	-	-	114,060
Total current assets	<u>543,218</u>	<u>1,675,399</u>	<u>4,897,001</u>	<u>59,990</u>	<u>(2,626,768)</u>	<u>4,548,840</u>
Restricted Deposits and Funded Reserves						
Tenant security deposits	8,689	25,379	-	-	-	34,068
Replacement reserve	117,294	-	-	-	-	117,294
Real estate tax and insurance escrows	33,360	-	-	-	-	33,360
Other reserves	-	999,090	-	-	-	999,090
Total restricted deposits and funded reserves	<u>159,343</u>	<u>1,024,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,183,812</u>
Fixed Assets						
Land	119,232	-	537,705	-	-	656,937
Buildings	2,374,735	17,758,917	1,902,996	534,860	(75,000)	22,496,508
Building improvements	-	152,552	2,734,168	-	-	2,886,720
Furnishing and equipment	35,031	85,151	318,255	69,006	-	507,443
Total fixed assets	2,528,998	17,996,620	5,493,124	603,866	(75,000)	26,547,608
Less: accumulated depreciation	(1,244,094)	(8,848,402)	(1,733,988)	(404,967)	55,313	(12,176,138)
Total net fixed assets	<u>1,284,904</u>	<u>9,148,218</u>	<u>3,759,136</u>	<u>198,899</u>	<u>(19,687)</u>	<u>14,371,470</u>
Other Assets						
Deposits	-	-	11,500	-	-	11,500
Total other assets	<u>-</u>	<u>-</u>	<u>11,500</u>	<u>-</u>	<u>-</u>	<u>11,500</u>
Total Assets	<u>\$ 1,987,465</u>	<u>\$ 11,848,086</u>	<u>\$ 8,667,637</u>	<u>\$ 258,889</u>	<u>\$ (2,646,455)</u>	<u>\$ 20,115,622</u>

Haley House, Inc. & Affiliates

Consolidating Statement of Financial Position - continued As of December 31, 2023

LIABILITIES AND NET ASSETS

Current Liabilities	SRO Division	Interfaith Division	HH Division	Bakery Division	Eliminations	Total
Accounts payable	\$ 2,116	\$ 161,474	\$ 81,700	\$ 1,493	\$ -	\$ 246,783
Due to affiliates	85,441	-	-	2,541,327	(2,626,768)	-
Accrued interest	1,544	21,993	-	-	-	23,537
Accrued expenses	5,760	99,336	-	-	-	105,096
Long-term debt, current	43,765	-	49,864	-	-	93,629
Deferred revenue, current	624	4,177	7,164	-	-	11,965
Total current liabilities	<u>139,250</u>	<u>286,980</u>	<u>138,728</u>	<u>2,542,820</u>	<u>(2,626,768)</u>	<u>481,010</u>
Long Term Liabilities						
Deferred revenue, long term	-	-	416,667	-	-	416,667
Long term debt, net of current and debt issuance costs	<u>228,000</u>	<u>14,000,703</u>	<u>1,783,124</u>	<u>-</u>	<u>-</u>	<u>16,011,827</u>
Total long term liabilities	<u>228,000</u>	<u>14,000,703</u>	<u>2,199,791</u>	<u>-</u>	<u>-</u>	<u>16,428,494</u>
Net Assets						
Net assets without donor restrictions	1,527,215	(2,439,597)	6,112,550	(2,298,931)	(19,687)	2,881,550
Net assets with donor restrictions	<u>93,000</u>	<u>-</u>	<u>216,568</u>	<u>15,000</u>	<u>-</u>	<u>324,568</u>
Total net assets	<u>1,620,215</u>	<u>(2,439,597)</u>	<u>6,329,118</u>	<u>(2,283,931)</u>	<u>(19,687)</u>	<u>3,206,118</u>
Total Liabilities and Net Assets	<u>\$ 1,987,465</u>	<u>\$ 11,848,086</u>	<u>\$ 8,667,637</u>	<u>\$ 258,889</u>	<u>\$ (2,646,455)</u>	<u>\$ 20,115,622</u>

Haley House, Inc. & Affiliates

Consolidating Statement of Activities Year Ended December 31, 2023

	SRO Division		HH Division		Bakery Division		Interfaith Division		Eliminations	Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		
Revenue and Support										
Contributions and grants	1,300	93,000	689,819	372,477	-	-	-	-	-	1,156,596
Donated materials and services	-	-	319,486	-	-	-	-	-	-	319,486
Rental	331,965	-	217,779	-	-	-	2,774,163	-	-	3,323,907
Investment	30,377	30,377	491	491	-	-	-	-	-	30,868
Management and partnership fees	-	-	743,251	-	-	-	-	-	(743,251)	-
Miscellaneous	6,881	-	78,461	-	-	-	-	-	-	85,342
Net assets released from restrictions	-	-	748,160	(748,160)	-	-	40,232	-	-	125,574
Total revenue and support	370,523	93,000	2,797,447	(375,683)	-	-	2,814,395	(743,251)	-	4,956,431
Expenses										
Program services	344,241	-	1,147,743	-	165,576	-	1,962,341	(1,875)	-	3,618,026
Administrative	28,991	-	427,945	-	-	-	251,491	(13,251)	-	695,176
Fundraising	-	-	310,866	-	-	-	-	-	-	310,866
Total expenses	373,232	-	1,886,554	-	165,576	-	2,213,832	(15,126)	-	4,624,068
Change in Net Assets	(2,709)	93,000	910,893	(375,683)	(165,576)	-	600,563	(728,125)	-	332,363
Net Assets (Deficit) at Beginning of Year	1,529,924	-	5,201,657	592,251	(2,133,355)	15,000	(2,310,160)	(21,562)	-	2,873,755
Distributions	-	-	-	-	-	-	(730,000)	730,000	-	-
Net Assets (Deficit) at End of Year	\$ 1,527,215	\$ 93,000	\$ 6,112,550	\$ 216,568	\$ (2,298,931)	\$ 15,000	\$ (2,439,597)	\$ (19,687)	\$	\$ 3,206,118

