

COMMUNITY SOLUTIONS

**COMMUNITY SOLUTIONS INTERNATIONAL, INC.
AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.**

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

December 31, 2018 and 2017

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

**COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)**

DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

| | <u>Page</u> |
|--|--------------------|
| Independent Auditors' Report..... | 1-2 |
| Consolidated Financial Statements: | |
| Consolidated Statements of Financial Position..... | 3 |
| Consolidated Statements of Activities..... | 4 |
| Consolidated Statements of Functional Expenses..... | 5-6 |
| Consolidated Statements of Cash Flows..... | 7 |
| Notes to Consolidated Financial Statements..... | 8-24 |
| Supplementary Information: | |
| Consolidating Schedule of Financial Position as of December 31, 2018..... | 25 |
| Consolidating Schedule of Activities for the Year Ended December 31, 2018..... | 26 |

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Community Solutions International, Inc. and Subsidiaries
d/b/a Community Solutions, Inc.

We have audited the accompanying consolidated financial statements of Community Solutions International, Inc. and Subsidiaries d/b/a Community Solutions, Inc. (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2018, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of certain of the Organization's subsidiaries which statements reflect total assets of \$26,145,307 (39%) as of December 31, 2018 and total revenues of \$50,344 (0.4%) for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain of the Organization's subsidiaries, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Solutions International, Inc. and Subsidiaries d/b/a Community Solutions, Inc., as of December 31, 2018, and the changes 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.

Emphasis of a Matter

As discussed in Note 2K to the consolidated financial statements, during the year ended December 31, 2018, the Organization adopted Accounting Standards Update 2016-14, “*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*” and Accounting Standards Update 2016-18, “*Statement of Cash Flows (Topic 230)*.” Our opinion is not modified with respect to these matters.

Prior Period Financial Statements

The consolidated financial statements of the Organization as of and for the year ended December 31, 2017 were audited by other auditors whose report dated August 8, 2018, expressed an unmodified opinion on those consolidated financial statements.

Report on Consolidating 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 25 and 26) is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets 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 consolidating 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
August 5, 2019

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

| ASSETS | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| Cash and cash equivalents (Notes 2C and 3) | \$ 4,230,717 | \$ 2,368,426 |
| Contributions receivable, net (Notes 2D, 3 and 5) | 2,094,832 | 3,377,047 |
| Grants receivable (Note 2H) | - | 506,236 |
| Other receivables, net of allowance for uncollectible receivables of \$21,113 and \$30,284 in 2018 and 2017, respectively (Note 3) | 1,262,107 | 918,769 |
| Loans receivable (Note 7) | 26,777,275 | 9,770,000 |
| Restricted cash (Notes 4 and 15C) | 17,809,460 | 8,651 |
| Replacement reserve (Note 9) | 74,580 | 74,580 |
| Operating reserve (Note 9) | 99,368 | 99,368 |
| Prepaid expenses and other assets | 50,262 | 258,715 |
| Due from Northeast Neighborhood Partners, Inc. (Note 15A) | 73,049 | 403,211 |
| Due from North Capitol Commons GP LLC (Note 15C) | 4,350 | - |
| Property and equipment, net (Notes 2E, 2F 6 and 9) | <u>14,148,837</u> | <u>4,300,999</u> |
| TOTAL ASSETS | <u>\$ 66,624,837</u> | <u>\$ 22,086,002</u> |
| LIABILITIES AND NET ASSETS/MEMBERS' EQUITY | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses (Note 6) | \$ 1,838,433 | \$ 532,294 |
| Due to Made in Brownsville | 3,816 | - |
| Deferred revenue (Notes 2G and 2H) | - | 9,000 |
| Line of credit, net (Note 8) | - | 321,250 |
| Loans payable, net (Note 9) | <u>41,393,175</u> | <u>1,072,000</u> |
| TOTAL LIABILITIES | <u>43,235,424</u> | <u>1,934,544</u> |
| COMMITMENTS AND CONTINGENCIES (Note 13) | | |
| NET ASSETS/MEMBERS' EQUITY (Notes 2B and 2K) | | |
| Without donor restrictions | 18,199,203 | 14,880,967 |
| Non-controlling members' interests in consolidated subsidiaries | <u>1,266,935</u> | <u>-</u> |
| Total without donor restrictions | 19,466,138 | 14,880,967 |
| With donor restrictions (Note 10) | <u>3,923,275</u> | <u>5,270,491</u> |
| TOTAL NET ASSETS/MEMBERS' EQUITY | <u>23,389,413</u> | <u>20,151,458</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 66,624,837</u> | <u>\$ 22,086,002</u> |

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

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

| | For the Year Ended December 31, 2018 | | | For the Year Ended December 31, 2017 | | |
|---|--------------------------------------|----------------------------|----------------------|--------------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUES, GAINS AND OTHER SUPPORT | | | | | | |
| Governmental grants (Note 2H) | \$ 545,675 | \$ - | \$ 545,675 | \$ 6,718,079 | \$ - | \$ 6,718,079 |
| Contributions (Notes 2D and 2I) | 2,905,412 | 8,217,163 | 11,122,575 | 929,703 | 4,984,811 | 5,914,514 |
| Consulting income | 455,526 | - | 455,526 | 689,031 | - | 689,031 |
| Development and management fees | 691,490 | - | 691,490 | 597,361 | - | 597,361 |
| Rental income (Notes 2G and 14) | 154,589 | - | 154,589 | 205,848 | - | 205,848 |
| Other income | 34,215 | - | 34,215 | 16,749 | - | 16,749 |
| Program income | 34,008 | - | 34,008 | - | - | - |
| Interest income (Note 7) | 256,585 | - | 256,585 | 51,076 | - | 51,076 |
| Net assets released from donor restrictions (Note 10) | 9,564,379 | (9,564,379) | - | 9,099,173 | (9,099,173) | - |
| TOTAL REVENUES, GAINS AND OTHER SUPPORT | 14,641,879 | (1,347,216) | 13,294,663 | 18,307,020 | (4,114,362) | 14,192,658 |
| EXPENSES (Note 2J) | | | | | | |
| Program services: | | | | | | |
| Built For Zero | 5,025,186 | - | 5,025,186 | 3,400,080 | - | 3,400,080 |
| Inspiring Places | 1,153,150 | - | 1,153,150 | 1,210,794 | - | 1,210,794 |
| Brownsville Partnership | 741,758 | - | 741,758 | 647,150 | - | 647,150 |
| Hartford Community Partnership | 428,778 | - | 428,778 | 438,989 | - | 438,989 |
| Real estate projects | 2,159,016 | - | 2,159,016 | 1,326,782 | - | 1,326,782 |
| Fiscal sponsorships | 576,589 | - | 576,589 | 269,558 | - | 269,558 |
| Other programs | 163,400 | - | 163,400 | - | - | - |
| Total program services | 10,247,877 | - | 10,247,877 | 7,293,353 | - | 7,293,353 |
| Supporting services: | | | | | | |
| Management and general | 720,154 | - | 720,154 | 691,826 | - | 691,826 |
| Fundraising | 334,480 | - | 334,480 | 514,867 | - | 514,867 |
| Total supporting services | 1,054,634 | - | 1,054,634 | 1,206,693 | - | 1,206,693 |
| TOTAL EXPENSES | 11,302,511 | - | 11,302,511 | 8,500,046 | - | 8,500,046 |
| CHANGE IN NET ASSETS BEFORE LOSS ON TRANSFER OF PROPERTY | 3,339,368 | (1,347,216) | 1,992,152 | 9,806,974 | (4,114,362) | 5,692,612 |
| Loss on transfer of property (Note 15A) | - | - | - | (559,680) | - | (559,680) |
| CHANGE IN NET ASSETS | 3,339,368 | (1,347,216) | 1,992,152 | 9,247,294 | (4,114,362) | 5,132,932 |
| Non-controlling members' interests in consolidated subsidiaries - beginning of year | - | - | - | - | - | - |
| Non-controlling members' interests in net income of consolidated subsidiaries (Note 2B) | 21,132 | - | 21,132 | - | - | - |
| Non-controlling members' capital contributions (Note 11) | 1,245,803 | - | 1,245,803 | - | - | - |
| Non-controlling members' interests in consolidated subsidiaries - end of year | 1,266,935 | - | 1,266,935 | - | - | - |
| Net assets/members' equity - beginning of year | 14,880,967 | 5,270,491 | 20,151,458 | 5,633,673 | 9,384,853 | 15,018,526 |
| Net assets/members' equity - end of year | <u>\$ 19,466,138</u> | <u>\$ 3,923,275</u> | <u>\$ 23,389,413</u> | <u>\$ 14,880,967</u> | <u>\$ 5,270,491</u> | <u>\$ 20,151,458</u> |

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

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

| | Program Services | | | | | | | Supporting Services | | | 2018 Total Expenses | 2017 Total Expenses | |
|---------------------------------|---------------------|---------------------|----------------------------|--------------------------------------|-------------------------|------------------------|-------------------|------------------------------|------------------------------|-------------------|---------------------------|---------------------------|---------------------------------|
| | Built For Zero | Inspiring Places | Brownsville Partnership | Hartford Community Partnership | Real Estate Projects | Fiscal Sponsorships | Other Programs | Total Program Services | Management and General | Fundraising | | | Total Supporting Services |
| Personnel services (Note 12) | \$ 3,272,851 | \$ 715,824 | \$ 602,653 | \$ 349,474 | \$ 139,305 | \$ - | \$ - | \$ 5,080,107 | \$ 56,045 | \$ 63,844 | \$ 119,889 | \$ 5,199,996 | \$ 5,078,722 |
| Professional services (Note 21) | 244,290 | 336,495 | 45,314 | 57,809 | 50,369 | 298,369 | 87,766 | 1,120,412 | 523,065 | 120,013 | 643,078 | 1,763,490 | 1,625,354 |
| Occupancy (Note 13A) | 29,336 | - | 6,867 | 8,295 | 69,520 | 6,790 | - | 120,808 | 7,068 | 74,932 | 82,000 | 202,808 | 374,582 |
| Travel and conference | 518,990 | 51,262 | 16,768 | 65 | 998 | 24,717 | 443 | 613,243 | 44,483 | - | 44,483 | 657,726 | 360,278 |
| Program expenses | 691,870 | 32,751 | 30,329 | 3,322 | 416 | 113,456 | 48,637 | 920,781 | - | - | - | 920,781 | 229,088 |
| Building management | - | - | - | - | 119,199 | - | - | 119,199 | - | - | - | 119,199 | 140,814 |
| Communication | 30,806 | 8,632 | 17,082 | 4,897 | 5,849 | 8,421 | - | 75,687 | 15,300 | 17,429 | 32,729 | 108,416 | 110,211 |
| Insurance | - | - | - | - | 19,450 | - | - | 19,450 | 30,091 | 34,279 | 64,370 | 83,820 | 96,864 |
| Office supplies and expenses | 10,145 | 1,358 | 6,417 | 909 | 8,140 | 2,872 | - | 29,841 | 4,858 | 5,534 | 10,392 | 40,233 | 30,982 |
| Printing and postage | 14,285 | - | 425 | 63 | 84 | 1,756 | 310 | 16,923 | 8,878 | 10,113 | 18,991 | 35,914 | 29,599 |
| Equipment purchases and rental | 15,248 | 900 | 10,468 | 1,329 | 589 | 5,795 | - | 34,329 | 3,926 | 4,472 | 8,398 | 42,727 | 23,814 |
| Real estate tax | - | - | - | - | - | - | - | - | 8,108 | - | 8,108 | 8,108 | 13,008 |
| Staff training and development | 82,861 | 5,320 | 1,568 | 2,339 | - | - | - | 92,088 | 187 | 214 | 401 | 92,489 | 9,079 |
| Advertising and marketing | 114,474 | 433 | 532 | 276 | - | 40 | - | 115,755 | 3,204 | 3,650 | 6,854 | 122,609 | 5,660 |
| Depreciation (Note 6) | - | - | - | - | 144,258 | - | - | 144,258 | 2,250 | - | 2,250 | 146,508 | 130,368 |
| Interest (Notes 8 and 9) | - | - | - | - | 733,638 | - | - | 733,638 | 7,921 | - | 7,921 | 741,559 | 96,818 |
| Subcontract expenses | - | - | - | - | 699,379 | 32,811 | 25,925 | 758,115 | - | - | - | 758,115 | - |
| Miscellaneous expenses | 30 | 175 | 3,335 | - | 167,822 | 81,562 | 319 | 253,243 | 4,770 | - | 4,770 | 258,013 | 144,805 |
| Total expenses - 2018 | \$ 5,025,186 | \$ 1,153,150 | \$ 741,758 | \$ 428,778 | \$ 2,159,016 | \$ 576,589 | \$ 163,400 | \$ 10,247,877 | \$ 720,154 | \$ 334,480 | \$ 1,054,634 | \$ 11,302,511 | \$ 8,500,046 |
| Total expenses - 2017 | \$ 3,400,080 | \$ 1,210,794 | \$ 647,150 | \$ 438,989 | \$ 1,326,782 | \$ 269,558 | \$ - | \$ 7,293,353 | \$ 691,826 | \$ 514,867 | \$ 1,206,693 | \$ 8,500,046 | \$ - |

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

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Program Services | | | | | | Supporting Services | | | 2017 Total Expenses | |
|---------------------------------|---------------------|---------------------|----------------------------|--------------------------------------|-------------------------|------------------------|------------------------------|------------------------------|-------------------|---------------------------|---------------------------------|
| | Built For Zero | Inspiring Places | Brownsville Partnership | Hartford Community Partnership | Real Estate Projects | Fiscal Sponsorships | Total Program Services | Management and General | Fundraising | | Total Supporting Services |
| Personnel services (Note 12) | \$ 2,861,643 | \$ 808,035 | \$ 568,371 | \$ 298,103 | \$ 95,997 | \$ 1,926 | \$ 4,634,075 | \$ 185,858 | \$ 258,789 | \$ 444,647 | \$ 5,078,722 |
| Professional services (Note 21) | 39,572 | 324,311 | 4,419 | 123,096 | 699,996 | 147,848 | 1,339,242 | 250,183 | 35,929 | 286,112 | 1,625,354 |
| Occupancy (Note 13A) | 25,669 | - | 4,293 | 8,781 | 49,302 | 34,570 | 122,615 | 83,148 | 168,819 | 251,967 | 374,582 |
| Travel and conference | 255,632 | 26,702 | 2,425 | - | - | 12,564 | 297,323 | 62,955 | - | 62,955 | 360,278 |
| Program expenses | 159,552 | 28,309 | 32,837 | 2,005 | 632 | 5,753 | 229,088 | - | - | - | 229,088 |
| Building management | - | - | - | - | 140,814 | - | 140,814 | - | - | - | 140,814 |
| Communication | 31,552 | 5,424 | 18,945 | 5,554 | 5,751 | 6,599 | 73,825 | 21,762 | 14,624 | 36,386 | 110,211 |
| Insurance | - | - | - | - | 42,718 | 3,868 | 46,586 | 22,806 | 27,472 | 50,278 | 96,864 |
| Office supplies and expenses | 2,199 | 945 | 5,119 | 780 | 5,101 | 1,963 | 16,107 | 13,608 | 1,267 | 14,875 | 30,982 |
| Printing and postage | 6,632 | 137 | 260 | - | 480 | 2,734 | 10,243 | 19,356 | - | 19,356 | 29,599 |
| Equipment purchases and rental | 2,278 | 2,791 | 6,651 | - | 1,167 | 468 | 13,355 | 5,813 | 4,646 | 10,459 | 23,814 |
| Real estate tax | - | - | - | - | 13,008 | - | 13,008 | - | - | - | 13,008 |
| Staff training and development | 151 | 3,795 | - | - | - | 50 | 3,996 | 2,306 | 2,777 | 5,083 | 9,079 |
| Advertising and marketing | 2,322 | 339 | 310 | 167 | - | 1,526 | 4,664 | 452 | 544 | 996 | 5,660 |
| Depreciation (Note 6) | - | - | - | - | 127,408 | - | 127,408 | 2,960 | - | 2,960 | 130,368 |
| Interest (Notes 8 and 9) | - | - | - | - | 95,568 | - | 95,568 | 1,250 | - | 1,250 | 96,818 |
| Miscellaneous expenses | 12,878 | 10,006 | 3,520 | 503 | 48,840 | 49,689 | 125,436 | 19,369 | - | 19,369 | 144,805 |
| Total expenses | \$ 3,400,080 | \$ 1,210,794 | \$ 647,150 | \$ 438,989 | \$ 1,326,782 | \$ 269,558 | \$ 7,293,353 | \$ 691,826 | \$ 514,867 | \$ 1,206,693 | \$ 8,500,046 |

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

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

| | 2018 | 2017 |
|---|----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,992,152 | \$ 5,132,932 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 146,508 | 130,368 |
| Loss on transfer of properties | - | 559,680 |
| Amortization of discount to net present value on contributions receivable | (20,800) | (19,793) |
| Amortization of loan closing costs | 79,467 | 5,750 |
| Changes in operating assets and liabilities: | | |
| Contributions receivable | 1,303,015 | (589,695) |
| Grants receivable | 506,236 | (402,730) |
| Other receivables | (343,338) | 19,260 |
| Note receivable - Northeast Neighborhood Partners, Inc. | - | 370,000 |
| Prepaid expenses and other assets | 208,453 | (115,353) |
| Due to/from Northeast Neighborhood Partners, Inc. | 330,162 | (56,369) |
| Due to/from North Capitol Commons GP LLC | (4,350) | - |
| Due to/from North Capitol Commons LP | - | (1,065,269) |
| Due to/from Made in Brownsville | 3,816 | 48,646 |
| Accounts payable and accrued expenses | 383,896 | (353,561) |
| Deferred revenue | (9,000) | (72,539) |
| Net Cash Provided by Operating Activities | 4,576,217 | 3,591,327 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (9,048,968) | (12,941) |
| Issuance of loans receivable | (17,007,275) | (9,770,000) |
| Net Cash Used in Investing Activities | (26,056,243) | (9,782,941) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from line of credit | - | 325,000 |
| Repayments of line of credit | (325,000) | - |
| Proceeds from loans payable | 44,592,510 | 702,860 |
| Repayments on loans payable | (3,288,587) | (129,000) |
| Payments of loan issuance costs | (1,081,600) | - |
| Capital contributions from non-controlling members | 1,245,803 | - |
| Net Cash Provided by Financing Activities | 41,143,126 | 898,860 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH | 19,663,100 | (5,292,754) |
| Cash and cash equivalents and restricted cash - beginning of the year | 2,377,077 | 7,669,831 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR | \$ 22,040,177 | \$ 2,377,077 |
| Reconciliation to Consolidated Statements of Financial Position: | | |
| Cash and cash equivalents | \$ 4,230,717 | \$ 2,368,426 |
| Restricted cash | 17,809,460 | 8,651 |
| | \$ 22,040,177 | \$ 2,377,077 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid during the year for interest, including capitalized interest of \$158,634 in 2018 | \$ 628,038 | \$ 96,818 |
| Noncash investing and financing transactions: | | |
| Accounts payable and accrued expenses - construction in progress | \$ 922,243 | \$ - |
| Capitalized interest expense - loan closing costs | \$ 23,135 | \$ - |
| Book value of properties transferred to Northeast Neighborhood Partners, Inc. | \$ - | \$ 2,003,613 |
| Assets and liabilities related to transferred properties | - | (1,443,993) |
| Loss on transfer of property | \$ - | \$ 559,620 |

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

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Community Solutions International, Inc. d/b/a Community Solutions, Inc. (“CSI”) is a not-for-profit organization formed in 2011 with the primary mission to strengthen communities to end homelessness by building partnerships, sharing innovations and connecting vulnerable people to homes and support. CSI is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (“IRC”).

The accompanying consolidated financial statements of the Organization include the accounts of CSI itself and its consolidated subsidiaries (collectively, the “Organization”) as listed below:

- Community Solutions 519 Rockaway Ave, Inc. (“CS Rockaway”), a wholly-owned subsidiary of CSI formed in 2014, consists of a 14,000-square-foot building and lot which houses the administrative offices of CSI and is a rental facility of space to tenants. CS Rockaway is exempt from income tax under Section 501(c)(2) of the IRC.
- CS Swift, LLC (“CS Swift”), a Connecticut limited liability company, was formed on October 17, 2014 and organized with CSI as its sole member. CS Swift holds a controlling, 90% interest in Swift Factory, LLC (“Swift Factory”) and a controlling, 1% interest in Swift Factory Master Tenant LLC (“Master Tenant”), which holds a 10% interest in Swift Factory. There were no significant financial transactions of CS Swift prior to the year ended December 31, 2018.
- Swift Factory, a Connecticut limited liability company, was formed on October 17, 2014 for the purpose of rehabilitating, maintaining, leasing, and selling or otherwise disposing of its leasehold interest in four historic buildings located at 10 & 60 Love Lane, Hartford, Connecticut, commonly known as the Swift Factory (the “Property”). The Property is being renovated as a historic rehabilitation project to generate federal historic tax credits (“HTCs”) and State of Connecticut historic tax credits (“State HTCs,” and collectively with the HTCs, the “Tax Credits”) in accordance with Sections 47 and 50 of the IRC and Section 10-416c of the Connecticut General Statutes, respectively. Swift Factory is further intended to qualify as a qualified active low-income community business pursuant to the New Markets Tax Credit (“NMTC”) Program under Section 45D of the IRC.

On May 4, 2018, Swift Factory, as the lessor, and Master Tenant, as the lessee, executed an Amended and Restated Master Lease Agreement (the “Master Lease”), pursuant to which Swift Factory elected under Section 50 of the IRC to pass-through to Master Tenant the HTCs to which Swift Factory is otherwise entitled as a result of the rehabilitation of the Property.

The Property was formerly held by a related party, Northeast Neighborhood Partners, Inc. (“NNPI”). During 2015, the properties were transferred to Swift Factory by NNPI (see Note 15A), and the rehabilitation of the Property commenced in 2018. There were no significant financial transactions of Swift Factory prior to the year ended December 31, 2018.

- Master Tenant, a Connecticut limited liability company, was formed on December 22, 2017. The primary purpose of Master Tenant is to lease the Property, and to maintain, operate and sell or otherwise dispose of its leasehold interest in the Property in accordance with Sections 47 and 50 of the IRC and Section 10-416c of the Connecticut General Statutes, respectively. There were no significant financial transactions of Master Tenant prior to the year ended December 31, 2018.
- CS North Capitol Commons LLC (“CSNCC”) with CSI as the sole member holds a non-controlling, 51% interest in North Capitol Commons GP, LLC (“NCC GP”), which holds a .009% interest in North Capitol Commons LP (the “North Capitol Project”). CSNCC is a disregarded entity of CSI for federal and state income tax purposes and therefore the activities of CSNCC are included in the CSI column in the accompanying supplementary information. The consolidated financial statements reflect the activity of CSNCC; however, the North Capitol Project does not meet the requirements for consolidation. CSNCC’s interest in NCC GP is not material to the consolidated financial statements. See Note 15C for further discussion regarding the North Capitol Project.

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

- CS Abrigo Management LLC (“CS Abrigo”) was incorporated as a wholly-owned subsidiary and of CSI. CS Abrigo is a disregarded entity of CSI for federal and state income tax purposes therefore the activities of CS Abrigo are included in the CSI column in the accompanying supplementary information. As of March 21, 2018, CSI became ordinary member and owns 10% of Vesta CO LLC. Both transactions are for the purpose of a new housing project, known as Abrigo Apartments, in Colorado. The consolidated financial statements reflect the activity of CS Abrigo; however, CSI’s interest in Vesta CO LLC is not material to the consolidated financial statements.

In the preparation of the accompanying consolidated financial statements, all material intercompany accounts and transactions have been eliminated.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting and Use of Estimates*

The Organization’s consolidated financial statements have been prepared on the accrual basis of accounting. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

B. *Basis of Presentation*

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions – represents resources available for support of the Organization’s operations over which the Board of Directors (the “Board”) has discretionary control and not subject to donor (or certain grantor) restrictions.

Non-controlling members’ interests in consolidated subsidiaries are shown as a component of net assets without donor restrictions and members’ equity in the consolidated statements of financial position. The share of the income or loss of the consolidated subsidiaries attributed to the non-controlling members’ interest is shown as a component of the change in net assets without donor restrictions in the consolidated statements of activities.

- Net Assets With Donor Restrictions – represents net assets subject to donor-imposed restrictions. Some donor-restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donors stipulate that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of December 31, 2018, the Organization’s net assets with donor restrictions did not include any amounts that must remain intact in perpetuity.

C. *Cash and Cash Equivalents*

The Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Contributions*

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional contributions and promises to give are not recognized until they become unconditional, that is when the future and uncertain event on which they depend has occurred. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

E. *Property and Equipment*

Property and equipment are recorded at cost. Major renewals and improvements in excess of \$5,000 are capitalized, while replacements, maintenance and repairs that do not extend the lives of the assets are charged directly to expense as incurred. Upon disposition or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gains and losses are included in the consolidated statements of activities.

Depreciation is provided for using the straight-line method based on the estimated useful lives of the assets.

F. *Impairment of Long-Lived Assets*

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. There were no impairment losses recognized during the years ended December 31, 2018 and 2017, respectively.

G. *Rental Income*

Rental income is recognized on a straight-line basis over the terms of the leases. Advance receipts of rental income are deferred and classified as liabilities until earned.

H. *Grants and Contracts*

Governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized are presented as deferred revenue.

I. *Donated Services*

The Organization recognizes donated services at their estimated fair value if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. Donated professional services in the amount of \$181,347 and \$115,000 for the years ended December 31, 2018 and 2017, respectively, have been recognized as contributions without donor restrictions in the accompanying consolidated statements of activities and professional services in the accompanying consolidated statements of functional expenses.

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. *Functional Allocation of Expenses*

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program 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 personnel services, professional services, occupancy, office supplies and expenses, printing and postage, equipment purchases and rental, communication, insurance and staff training and development. Such expenses are allocated on the basis of estimates of time and effort.

K. *Recently Enacted Accounting Standards*

Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”), was adopted for the year ended December 31, 2018. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on the liquidity and availability of resources and the allocation of functional expenses. During the year ended December 31, 2018, the Organization implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. Unrestricted net assets of \$14,880,967 and temporarily restricted net assets of \$5,270,491, respectively, as of December 31, 2017 were reclassified to net assets without donor restrictions and net assets with donor restrictions to conform to the new presentation.

During the year ended December 31, 2018, the Organization also implemented the provisions of ASU 2016-18, *Statement of Cash Flows (Topic 230)* (“ASU 2016-18”). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, restricted cash and restricted cash equivalents were included with cash and cash equivalents when reconciling the total amounts shown in the accompanying consolidated statements of cash flows.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprised the following as of December 31, 2018:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 4,230,717 |
| Contributions receivable, net | 1,696,432 |
| Other receivables, net | 1,262,107 |
| Less: donor-restricted net assets not available for general expenditure | <u>(3,923,275)</u> |
| Total financial assets | <u>\$ 3,664,381</u> |

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they become due, while also striving to maximize the investment of its available funds. In the event of an unanticipated liquidity need, the Organization also could draw upon its \$500,000 line of credit as further discussed in Note 8.

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4 – RESTRICTED CASH

Restricted cash consisted of the following as of December 31:

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|-----------------|
| CSI: | | |
| North Capitol Commons Project (see Note 15C) | \$ - | \$ 8,651 |
| BCLF Reserve | 462,913 | - |
| CS Swift: | | |
| BCLF Reserve | 85,151 | - |
| Swift Factory: | | |
| Disbursement Account | 16,605,987 | - |
| MHIC Fee Reserve Account | 445,409 | - |
| NTCIC Fee Reserve Account | <u>210,000</u> | <u>-</u> |
| | <u>\$ 17,809,460</u> | <u>\$ 8,651</u> |

BCLF Reserves:

Pursuant to the loan agreements (see Note 9) of CSI and CS Swift with Boston Community Loan Fund (“BCLF”), interest reserve accounts were established and BCLF has a security interest in, and control over, such interest reserve accounts.

Disbursement Account:

Pursuant to the QLICI Loan Agreement (see Note 9), certain proceeds of the QLICI loans were required to be deposited into a disbursement account (“Disbursement Account”) upon closing of the loans. Withdrawals from the Disbursement Account are subject to a disbursement agreement and are used to pay construction and other costs related to the rehabilitation of the Property. Such withdrawals are subject to the approval of the lenders.

Fee Reserves:

Pursuant to the QLICI Loan Agreement, the Company was required to establish and fund a fee reserve account in the amount of \$482,500, pledged to MHIC NE CDE II Subsidiary 47 LLC (“MHIC”) (the “MHIC Fee Reserve Account”). Withdrawals from the MHIC Reserve Account are permitted to be made to pay asset management fees and operating expense reimbursements to MHIC. As of December 31, 2018, the balance in the MHIC Fee Reserve Account was \$445,409.

Pursuant to the QLICI Loan Agreement, Swift Factory was required to establish and fund a fee reserve account in the amount of \$210,000, pledged to NTCIC-Swift, LLC (“NTCIC”) (the “NTCIC Fee Reserve Account”). Withdrawals from the NTCIC Reserve Account are permitted to be made to pay asset management fees, loan servicing fees and operating expense reimbursements to NTCIC. As of December 31, 2018, the balance in the NTCIC Fee Reserve Account was \$210,000.

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 5 – CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consisted of the following as of December 31:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------------|---------------------|---------------------|
| Less than one year | \$ 1,696,432 | \$ 2,611,947 |
| One to five years | <u>415,000</u> | <u>802,500</u> |
| | 2,114,432 | 3,414,447 |
| Less: Discount to net present value | <u>(16,600)</u> | <u>(37,400)</u> |
| Total | <u>\$ 2,094,832</u> | <u>\$ 3,377,047</u> |

Contributions receivable to be collected in more than one year were discounted at 2%. Amortization of the discount is included in contribution revenue in the accompanying consolidated statements of activities. Management has determined that an allowance for uncollectible accounts for contributions receivable was not necessary as of December 31, 2018 and 2017. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following at December 31:

| | <u>2018</u> | <u>2017</u> | <u>Estimated Useful Lives</u> |
|--------------------------------|----------------------|---------------------|-----------------------------------|
| Land | \$ 371,800 | \$ 371,800 | - |
| Building and improvements | 5,388,345 | 4,276,909 | 33.5 Years |
| Computers and equipment | 14,800 | 14,800 | 3-5 Years |
| Construction in progress | <u>8,882,910</u> | <u>-</u> | - |
| Total cost | 14,657,855 | 4,663,509 | |
| Less: accumulated depreciation | <u>(509,018)</u> | <u>(362,510)</u> | |
| Net book value | <u>\$ 14,148,837</u> | <u>\$ 4,300,999</u> | |

Depreciation expense was \$146,508 and \$130,368 for the years ended December 31, 2018 and 2017, respectively.

Construction in progress is comprised of costs incurred by Swift Factory for the renovation of the Property. As of December 31, 2018, the construction in progress balance was \$8,882,910, which includes capitalized amortization of \$23,135 and capitalized interest of \$158,634.

Swift Factory has entered into construction contracts with Capital Restoration Inc. ("Capital Restoration") and Consigli Construction Co., Inc. ("Consigli" and together with Capital Restoration, the "Contractors") for the rehabilitation of the Property. The total value of each of the construction contracts is as follows as of December 31, 2018:

| | <u>Original Contract Amount</u> | <u>Total Change Orders</u> | <u>Total Contract Amount</u> |
|---------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Capital Restoration | \$ 725,940 | \$ - | \$ 725,940 |
| Consigli Construction Co. | <u>13,152,733</u> | <u>730,019</u> | <u>13,882,752</u> |
| | <u>\$ 13,878,673</u> | <u>\$ 730,019</u> | <u>\$ 14,608,692</u> |

As of December 31, 2018, \$922,243 was payable to the Contractors, and is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 7 – LOANS RECEIVABLE

Loans receivable consisted of the following as of December 31:

| | 2018 | 2017 |
|--|---------------|--------------|
| <p>In August 2014, CSI entered into a loan agreement with North Capitol Commons LP, a related party, as a lender of \$9,120,000 (2nd sponsor loan as discussed in Note 15C). The loan became receivable once the North Capitol Project was completed in 2017. The loan bears interest at 0.50% annually and matures on August 28, 2059. Currently, only interest payments are being received.</p> | \$ 9,120,000 | \$ 9,120,000 |
| <p>In October 2014, CSI entered into a loan agreement with North Capitol Commons LP, a related party, as the lender of \$500,000. These funds were remitted from the Federal Home Loan Bank of Pittsburgh's Community Investment Department to CSI, who remitted the funds to the project. The loan became receivable once the North Capitol Project was completed in 2017. As of December 31, 2018 and 2017, there was no formal repayment plan.</p> | 500,000 | 500,000 |
| <p>In August 2014, CSI entered into a loan agreement with North Capitol Commons LP, a related party, as a lender of \$150,000 (1st sponsor loan as discussed in Note 15C). The loan became receivable once the North Capitol Project was completed in 2017. The loan bears interest at the greater of the long-term Applicable Federal Rate, or 3.09% annually, and matures on August 28, 2064. Currently, only interest payments are being received.</p> | 150,000 | 150,000 |
| <p>In May 2018, CSI executed a fund loan agreement with Twain Investment Fund 298 LLC, as a lender of \$16,792,275. The principal balance of the loan shall accrue interest of 1.3962% per annum. Commencing June 15, 2018, quarterly installments of interest are due through June 15, 2028. Commencing June 15, 2028, quarterly installments of principal and interest equal to \$199,221 shall be due to fully amortize the loan through maturity on May 4, 2053. Currently, only interest payments are being received.</p> | 16,792,275 | - |
| <p>In August 2018, CSI entered into two loan agreements with Vesta CO LLC (d/b/a Abrigo Apartments), as a lender of a total of \$354,000. The loan bears no interest. CSI has agreed to forgive the loan in its full amount at the point in time in which CSI becomes the sole member of Vesta CO LLC.</p> | 215,000 | - |
| <p>Total Loans Receivable</p> | \$ 26,777,275 | \$ 9,770,000 |

Interest income recognized on the loans receivable totaled \$205,863 and \$46,131 for the years ended December 31, 2018 and 2017, respectively.

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 8 – LINE OF CREDIT, NET

On March 17, 2017, CSI entered into a loan commitment with BCLF for a working capital line of credit up to \$500,000. The line of credit bears interest at a rate of 5%. The line of credit consisted of the following as of December 31:

| | 2018 | | 2017 |
|---------------------------------|------|--|------------|
| Borrowings under line of credit | \$ - | | \$ 325,000 |
| Less: unamortized loan costs | - | | (3,750) |
| Line of credit, net | \$ - | | \$ 321,250 |

The unamortized loan costs of \$3,750 as of December 31, 2017 were amortized and recognized as interest expense during the year ended December 31, 2018.

On February 16, 2018, CSI fully paid off the line of credit. There were no borrowings outstanding as of August 5, 2019.

NOTE 9 – LOANS PAYABLE, NET

Loans payable consisted of the following as of December 31:

| | 2018 | | 2017 |
|--|-----------|--|--------------|
| On August 12, 2014, CS Rockaway entered into a loan agreement with the Low Income Investment Fund ("LIIF") to assist in the acquisition and renovation of 519 Rockaway Avenue. CS Rockaway may draw down funds on this loan up to \$1,320,000. The loan bears interest at 5.75% and is secured by the building. CS Rockaway only paid interest on this loan through 2015, and upon completion of the building renovations in 2016, principal repayments commenced. Principal is paid annually in the amount of \$124,000. Interest continues to be paid monthly. In conjunction with this loan, CS Rockaway is required to maintain a replacement reserve and an operating reserve. | \$ - | | \$ 1,072,000 |
| On May 4, 2018, CSI entered into a loan agreement with BCLF. The loan bears interest at 5.00%, and the maturity date of the loan is April 30, 2020. Commencing on June 1, 2018, and thereafter on the 1st day of each succeeding calendar month, interest on the unpaid principal then outstanding shall be paid, in arrears; and the entire balance of principal and all accrued interest thereon, and all other payments, fees, costs, and charges, if any, shall be due and payable on or before the maturity date. | 6,396,187 | | - |
| On May 4, 2018, CSI entered into a loan agreement with BCLF. The loan bears interest at 5.00%, and the maturity date of the loan is May 4, 2026. Commencing on July 1, 2018, and thereafter on the 1st day of each third succeeding calendar month up to April 1, 2019, interest on the unpaid principal then outstanding shall be paid in arrears; commencing on July 1, 2019, and thereafter on the 1st day of each third succeeding calendar month up to the maturity date, interest on the unpaid principal then outstanding and principal shall be paid upon a 20-year amortization schedule; and the entire balance of principal and all accrued interest thereon, and all other fees, costs and charges, if any, shall be due and payable on or before the maturity date. | 3,650,000 | | - |

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 9 – LOANS PAYABLE, NET (Continued)

| | 2018 | 2017 |
|---|--------------|------|
| <p>On May 4, 2018, CS Swift entered into a loan agreement with BCLF. The loan bears interest at 5.00%, and the maturity date of the loan was March 4, 2019 but has been extended due to construction delays in the renovation of the Project. Payments due under this note shall be payable as follows: (a) commencing on June 1, 2018, and thereafter on the 1st day of each succeeding calendar month, interest on the unpaid principal then outstanding shall be paid, in arrears; and (b) the entire balance of principal and all accrued interest thereon, and all other payments, fees, costs and charges, if any, due under this note shall be due and payable on or before the maturity date.</p> | \$ 3,218,283 | \$ - |
| <p>On May 4, 2018, CS Swift entered into a loan agreement with Capital Region Development Authority. CS Swift may draw down funds on this loan up to \$4,300,000. The loan bears interest at 1.00% during the construction phase (2 years) and interest at 3.00% during the permanent phase (20 years). Conditions to conversion to Permanent Phase include completion of construction and issuance of certificates of occupancy and issuance of lien waivers. Payment of principal and interest will be annual and paid within 120 days of the calendar year following construction completion and will equal 70% of net cash flows. In the event of insufficient cash flows to pay all or any part of required interest payments, such amount will accrue and be due and payable, to the extent of available net cash flows on the next scheduled annual payment. All outstanding principal and interest will be due in full 20 years from the date of the conversion of the loan to the Permanent Phase.</p> | 2,064,730 | - |
| <p>On May 4, 2018, CS Swift entered into a loan agreement with NNPI. The loan bears interest at 1.48%, and the maturity date of the loan is March 28, 2053. Commencing on the first day of the thirty-seventh (37th) month following the Advancement Date, and continuing on the first day of each month thereafter, principal and interest shall be payable in equal, consecutive monthly installments in an amount determined by the lender to be sufficient to fully amortize the outstanding principal balance of this note plus all accrued and unpaid interest thereon at the interest rate then in effect over the then remaining term of this note. Unless sooner paid, the outstanding principal balance of this note, together with all accrued and unpaid interest and other amounts payable under this note shall be due and payable in full on maturity date without notice or demand.</p> | 2,093,723 | - |

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 9 – LOANS PAYABLE, NET (Continued)

| | 2018 | 2017 |
|--|----------------------|---------------------|
| On May 4, 2018, Swift Factory entered into a loan agreement (the “QLICI Loan Agreement”) with NTCIC, BCC NMTC CDE XXX LLC (“BCC”) and MHIC, (collectively, the “Lenders”) for six loans totaling \$24,005,000 (collectively, the “QLICI Loans”) as follows: | | |
| Pursuant to the respective promissory notes, interest-only payments are due on the 1st day of each March, June, September and December commencing on June 1, 2018 through March 1, 2028. A one-time principal payment of \$30,000 shall be due and payable to MHIC on Note B-3 on May 4, 2025. Commencing on April 1, 2028 and through the maturity date, principal and interest payments are due on the 1st day of each March, June, September and December in amounts sufficient to fully amortize the outstanding balance over the remaining term, with the first payment due on June 1, 2028. Pursuant to the QLICI Loan Agreement, the QLICI Loans are secured by the leasehold mortgage on the Property. | | |
| The QLICI loans consisted of the following: | | |
| NTCIC A-1 | \$ 7,214,704 | \$ - |
| NTCIC B-1 | 2,785,296 | - |
| BCC A-2 | 1,999,411 | - |
| BCC B-2 | 850,589 | - |
| MHIC A-3 | 7,578,160 | - |
| MHIC B-3 | <u>3,576,840</u> | <u>-</u> |
| Total loans payable | 42,375,923 | 1,072,000 |
| Less: unamortized loan costs | <u>(982,748)</u> | <u>-</u> |
| Loans payable, net | <u>\$ 41,393,175</u> | <u>\$ 1,072,000</u> |

Loan closing costs are legal fees and other costs incurred in obtaining financing that are amortized on a straight-line basis over the term of the related debt. Loan closing costs are presented as a direct deduction of the carrying amount of the debt. Loan closing costs are being amortized to interest expense over the terms of the loans, except for the amortization of Swift Factory’s loan costs which was capitalized into construction in progress as shown below.

Loan closing costs were as follows as of and for the years ended December 31:

| | 2018 | 2017 |
|---------------------------------------|-------------------|-------------|
| Loan closing costs, beginning of year | \$ - | \$ 4,500 |
| Additional costs incurred | 1,081,600 | - |
| Costs amortized into expense | (75,717) | (4,500) |
| Costs capitalized | <u>(23,135)</u> | <u>-</u> |
| Loan closing costs, end of year | <u>\$ 982,748</u> | <u>\$ -</u> |

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 9 – LOANS PAYABLE, NET (Continued)

Pursuant to the QLICI Loan Agreement, Swift Factory is required to pay NTCIC an asset management fee and a loan servicing fee in an annual amount of \$10,000 for each fee per each calendar year, commencing in 2018 and continuing through 2025. Swift Factory is required to reimburse NTCIC’s operating and accounting expenses incurred in connection with the QLICI Loans, in the expected amount of \$10,000 annually (collectively, the “NTCIC Fees”), commencing in 2018 and continuing through 2025. For the year ended December 31, 2018, NTCIC Fees in the amount of \$30,000 were incurred, paid, and capitalized to construction in progress in the accompanying consolidated statements of financial position.

Pursuant to the QLICI Loan Agreement, Swift Factory is required to pay BCC an asset management fee of \$30,000 per calendar year, commencing in 2018 and continuing through 2025, after which it shall be reduced to an amount equal to \$30,000 multiplied by the Reimbursement Percentage (as defined in the QLICI Loan Agreement), and an audit and tax preparation fee (collectively, the “BCC Fees”) of \$10,000 per calendar year, commencing in 2019 and continuing through 2024. Swift Factory is required to pay an audit and tax preparation fee of \$20,000 in 2025. For the year ended December 31, 2018, BCC Fees in the amount of \$30,000 were incurred, paid, and capitalized to construction in progress in the accompanying consolidated statements of financial position.

Pursuant to the QLICI Loan Agreement, Swift Factory is required to pay MHIC an asset management fee in an annual amount of \$57,500 prorated for partial years, commencing in 2018 and continuing through 2025, and reimburse MHIC’s operating and accounting expenses incurred in connection with the QLICI Loans (collectively, the “MHIC Fees”), commencing in 2019 and continuing through 2025. For the year ended December 31, 2018, MHIC Fees in the amount of \$38,333 were incurred, paid, and capitalized to construction in progress in the accompanying consolidated statements of financial position.

Pursuant to the QLICI Loan Agreement, Swift Factory is also required to pay MHIC an exit fee in the amount of \$30,000 on May 4, 2025.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31:

| | 2018 | 2017 |
|--|--------------|--------------|
| Purpose restrictions: | | |
| Inspiring Places | \$ 217,047 | \$ 1,734,164 |
| Brownsville Partnership | 874,125 | 1,669,875 |
| Real estate projects | 655,973 | 1,070,412 |
| Hartford Community Partnership | 308,324 | 266,250 |
| Fiscal sponsorships | 172,922 | 117,995 |
| Built for Zero | 1,514,403 | 86,695 |
| Time restrictions | 180,481 | 325,100 |
| Total net assets with donor restrictions | \$ 3,923,275 | \$ 5,270,491 |

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the years ended December 31 as follows:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Purpose restrictions: | | |
| Real estate projects | \$ 1,119,197 | \$ 4,793,931 |
| Built for Zero | 5,828,931 | 1,537,518 |
| Brownsville Partnership | 746,548 | 843,069 |
| Inspiring Places | 519,973 | 820,734 |
| Hartford Community Partnership | 360,417 | 264,583 |
| Fiscal sponsorships | 536,328 | 217,671 |
| Pass-through grants | 163,400 | - |
| Time restrictions | <u>289,585</u> | <u>621,667</u> |
| Total net assets released from donor restrictions | <u>\$ 9,564,379</u> | <u>\$ 9,099,173</u> |

NOTE 11 – MEMBERS’ CAPITAL AND DISTRIBUTIONS

Pursuant to the Master Tenant’s Amended and Restated Operating Agreement dated May 4, 2018 (the “Operating Agreement”) and the First Amendment to the Operating Agreement dated September 5, 2018 (the “Amendment”), the investor member was required to make capital contributions totaling \$4,152,677, subject to adjustments, as described in the Operating Agreement. As of December 31, 2018, the investor member had made capital contributions totaling \$1,245,803.

Pursuant to the Operating Agreement, the investor member is entitled to receive annual distributions equal to their tax liability generated from taxable income passed through from Master Tenant (“Special Tax Distributions”) to the investor member. For the year ended December 31, 2018, no Special Tax Distributions were made or owed to the investor member.

Pursuant to the Operating Agreement, the investor member shall receive a cumulative, annual distribution of net cash flows, as defined in the Operating Agreement, in an amount equal to 2% of its paid-in capital contributions, as defined in the Operating Agreement (“Priority Return”). For the year ended December 31, 2018, no Priority Return payments were made or owed to the investor member.

NOTE 12 – EMPLOYEE BENEFIT PLAN

The Organization maintains a defined contribution retirement plan that is available to all full-time employees who have attained age 21. The plan provides for voluntary employee contributions, and the Organization may elect to match 100% of employee contributions up to 3% of their gross salary after a minimum of one year of service. The Organization’s contributions to the plan totaled \$92,775 and \$123,260 for the years ended December 31, 2018 and 2017, respectively.

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. *Lease Commitments*

The Organization leases equipment and office spaces under multiple operating leases that run through October 2020. In May 2018, the Organization ended its lease with 125 Maiden Office Equities LLC and entered into an operating lease with Bond Collective for new office space that expires in October 2020. The lease requires fixed monthly payments of \$7,150 over the term of the lease.

Future minimum lease payments were as follows for each of the subsequent years ending December 31:

| | | |
|-------|----|----------------|
| 2019 | \$ | 264,785 |
| 2020 | | <u>220,010</u> |
| Total | \$ | <u>484,795</u> |

Rent expense for these leases amounted to \$106,437 and \$281,764 for the years ended December 31, 2018 and 2017, respectively.

B. *Uncertainty in Income Taxes*

The Organization believes it had no uncertain income tax positions as of December 31, 2018 and 2017 in accordance with FASB Accounting Standards Codification Topic 740 "Income Taxes", which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

C. *Rehabilitation Tax Credits*

Swift Factory is expected to generate HTC's under IRC Section 47. Pursuant to the Master Lease, Master Tenant is eligible to claim HTC's generated from the Property. HTC's are available for use ratably over five years from the date the rehabilitation is placed in service and are equal to 20% of the qualified rehabilitation expenditures with respect to any certified historic structure. In order to qualify for HTC's, Swift Factory must comply with various federal requirements. The requirements include, but are not limited to, the Property being listed as a certified historic structure in the National Register of Historic Places or located in a registered historic district and certified by the Secretary of the Interior as being of historic significance to the district, and the rehabilitation being performed in a manner consistent with standards established by the Secretary of the Interior. Because HTC's are subject to complying with certain requirements, there can be no assurance that the aggregate amount of rehabilitation credits will be realized and failure to meet all such requirements may result in generating a lesser amount of HTC's than the expected amount.

Swift Factory also participated in the State of Connecticut historic rehabilitation tax credit program under Section 10-416c of the Connecticut General Statutes and is expected to generate State HTC's. State HTC's are available at the date the rehabilitation is placed in service and are generally equal to the lesser of 25% of the qualified rehabilitation expenditures with respect to any certified historic structure or \$4,500,000. In order to qualify for State HTC's, Swift Factory must comply with various State of Connecticut requirements. State HTC's shall be allocated 100% to CS Swift as the Managing Member. Because State HTC's are subject to complying with certain requirements, there can be no assurance that the aggregate amount of State HTC's will be realized and failure to meet all such requirements may result in generating a lesser amount of State HTC's than the expected amount.

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 14 – LEASE INCOME

In March 2015, the Organization entered into an agreement as the lessor with a nonprofit organization to lease space at their 519 Rockaway Avenue location for a term of two years. The lease calls for annual rent payments of \$74,790 for the first year and \$77,034 for the second year. In March 2017, the Organization entered into another lease agreement with this nonprofit for additional space in the building for a term of one year. Rental income recognized on a straight-line basis over the respective lease terms of the underlying agreements amounted to \$26,885 and \$79,149 for the years ended December 31, 2018 and 2017, respectively.

The Organization also entered into an agreement as the lessor with a nonprofit organization to lease space at their 519 Rockaway Avenue location for a term expiring in February 2025. The lease requires escalating monthly payments ranging from \$8,079 to \$10,541 over the term of the lease. Rental income recognized on a straight-line basis over the respective lease term of the underlying agreement amounted to \$111,142 for each of the years ended December 31, 2018 and 2017, respectively.

In September 2017, the Organization entered into an agreement as the lessor with a nonprofit organization to lease workspace at 519 Rockaway Avenue for a term expiring in December 2018. The lease requires escalating monthly payments ranging from \$500 to \$750 over the term of the lease. Rental income recognized on a straight-line basis over the respective lease term of the underlying agreement amounted to \$8,250 and \$2,750 for the years ended December 31, 2018 and 2017, respectively.

In January 2018, the Organization entered into an agreement as the lessor with a nonprofit organization to lease workspace at 519 Rockaway Avenue for a term of one year. The lease calls for monthly rent payments of \$440 for the first two months and \$453 for the next ten months. Rental income recognized on a straight-line basis over the respective lease term of the underlying agreement amounted to \$5,412 for the year ended December 31, 2018.

Future annual lease income of the Organization in each of the five subsequent years ending December 31 and thereafter is approximately as follows:

| | | |
|------------|----|----------------|
| 2019 | \$ | 109,000 |
| 2020 | | 112,000 |
| 2021 | | 115,000 |
| 2022 | | 119,000 |
| 2023 | | 122,000 |
| Thereafter | | <u>147,000</u> |
| Total | \$ | <u>724,000</u> |

Master Tenant leases commercial space under operating subleases expiring in various years through 2029. Future approximate minimum rental payments due to Master Tenant from the tenants over each of the next five years and thereafter are as follows:

| | | |
|------------|----|------------------|
| 2019 | \$ | 25,000 |
| 2020 | | 387,000 |
| 2021 | | 410,000 |
| 2022 | | 437,000 |
| 2023 | | 464,000 |
| Thereafter | | <u>3,334,000</u> |
| Total | \$ | <u>5,057,000</u> |

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 15 – RELATED PARTY TRANSACTIONS

A. *Northeast Neighborhood Partners, Inc.*

During the years ended December 31, 2018 and 2017, the Organization paid expenses for NNPI from advance payments received by CSI for NNPI. In addition, certain employees of CSI performed work for NNPI throughout the year. The portion of the employees' salaries allocated to the work performed is charged to NNPI throughout the year. Amounts due to CSI from NNPI related to these transactions were \$73,049 and \$403,211 as of December 31, 2018 and 2017, respectively. Lastly, the President of the Organization was the Secretary of the Board of Directors of NNPI as of December 31, 2018 and 2017, respectively.

In 2015, NNPI transferred the Property located at 10 and 60 Love Lane in Hartford, Connecticut, with a book value of \$1,208,521, to Swift Factory. In December 2017, these properties were transferred from Swift Factory to CSI, and then from CSI to NNPI. The transfer totaled \$3,567,994, including the properties with a book value of \$2,003,613, and existing assets and liabilities related to these properties in the amount of \$1,443,933. This resulted in a loss of \$559,680 which is recognized as loss on transfer of property in the consolidated statement of activities for the year ended December 31, 2017.

On December 27, 2017 and as amended on May 4, 2018, Swift Factory entered into a ground lease of the Property with NNPI for the purpose of leasing, renovating, and holding, maintaining, operating and assigning or subleasing its leasehold interest in the Property. The term of the ground lease is 98 years and Swift Factory is required to pay \$98 as base rent and \$3,867,053 as additional base rent for the entire lease term. Swift Factory shall pay the additional base rent in installments as NNPI's portion of the renovation work progresses.

B. *Community Solutions 519 Rockaway Avenue, Inc.*

During the year ended December 31, 2015, CSI entered into a lease agreement with CS Rockaway for one year. This lease will automatically extend for up to 20 successive one-year periods unless terminated by either party with 30 days' written notice. Rental income and expense of \$155,660 and \$153,950 was eliminated within the consolidated statements of activities for the years ended December 31, 2018 and 2017, respectively, related to this agreement.

C. *North Capitol Project*

The North Capitol Project (the "Project") is a Washington, D.C., residential project consisting of a new building with a total of 124 low-income housing tax unit apartments for use by veterans of the military. The Project, with a total cost of approximately \$32,650,000, was funded by the issuance of short-term tax-exempt bonds, equity investments, other federal and local government funding, and two sponsor loans from CSI in the aggregate amount of \$9,270,000, more fully described below. The Project was completed and placed in service during the year ended December 31, 2017.

In 2014, CSNCC as co-managing member, along with an unrelated party, of NCC GP, the General Partner of North Capitol Commons, LP, entered into a series of agreements related to the Project as follows:

- North Capitol Commons LP Amended and Restated Agreement of Limited Partnership
- North Capitol Commons GP LLC Initial Operating Agreement and Amended and Restated Agreement
- Purchase Option and Right of First Refusal Agreement
- Deed of Trust, Security Agreement and Assignment of Leases and Rents

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 15 – RELATED PARTY TRANSACTIONS (Continued)

On August 28, 2014, CSI entered into two loan agreements in the amount of \$150,000 (1st Sponsor loan) and \$9,120,000 (2nd Sponsor loan) to provide permanent loan proceeds of \$9,270,000 to assist in funding the Project. All loan proceeds were drawn down by the Project and were recorded on the consolidated statements of financial position as loans receivable (see Note 7) as of December 31, 2018 and 2017, respectively.

To date, CSI has secured \$4,000,000 of private and corporate contributions, \$4,080,000 of Department of General Services (“DGS”) funds and \$1,190,000 from the Department of Housing and Community Development (“DHCD”). During the year ended December 31, 2017, private and corporate contributions of \$4,000,000 were released from net assets with donor restrictions, upon completion of the Project. DGS funds in the amount of \$4,080,000 have been received by CSI and were remitted to the Project as December 31, 2018 and 2017. As of December 31, 2018 and 2017, \$1,190,000 from the DHCD funds were drawn and remitted to the Project.

In October 2014, CSI entered into a loan agreement in the amount of \$500,000 to provide additional loan proceeds to assist in funding the Project. CSI received and remitted the \$500,000 from Federal Home Loan Bank of Pittsburgh’s Community Investment Department to the Project during the year ended December 31, 2017. This balance is recorded in the consolidated statement of financial position as loans receivable (see Note 7) as of December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, CSI had transferred funding in the amount of \$9,770,000 to the Project in accordance with the private and public donor stipulations. Contributions with donor restrictions received for the Project were released upon the Project being placed in service.

The 2nd sponsor loan provided that CSI enter into a pledge and assignment agreement assigning Chase Bank, Trustee for the short-term tax-exempt bonds funding of the Project, a security interest in certain funds and agreeing to certain conditions for the release of the funds. Such funds, in the amount of \$0 and \$8,651, were recorded as restricted cash (see Note 4) in the consolidated statements of financial position as of December 31, 2018 and 2017, respectively.

The Project is the recipient of a \$7,000,000 HOME loan from DHCD. During 2016, CSI received \$3,450,996 from DHCD and remitted a total of \$1,940,827 to the Project. During 2017, CSI received the balance of this loan and has remitted all funds to the Project as of December 31, 2017.

CSI, along with an unrelated entity, are co-developers of the Project. As such, CSI is entitled to a developer fee of \$1,290,000, payable in four installments as follows: \$276,235 was paid at initial closing, \$300,000 was paid upon receipt of a grant from the Federal Home Loan Bank of Pittsburgh under the Affordable Housing Program, \$386,234 will be paid upon satisfaction of the conditions to the payment of the Limited Partner of its Third Capital Contribution, \$15,361 will be paid upon satisfaction of the conditions to the payment of the Limited Partner of its Fourth Capital Contribution, and the last payment of \$312,170 will be paid upon satisfaction of the conditions to the payment of the Limited Partner of its Fifth Capital Contribution, of which \$237,531 is anticipated to be deferred and payable out of net cash flow pursuant to the partnership agreement. There were no developer fees relating to the Project recognized during the years ended December 31, 2018 and 2017, respectively. Since the inception of the Project, CSI has recognized \$776,235 of developer fees under this agreement.

On August 28, 2014, CSI entered into a Purchase Option and Right of First Refusal Agreement with North Capitol Commons LP and other unrelated parties.

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 15 – RELATED PARTY TRANSACTIONS (Continued)

Grant of Option

North Capitol Commons LP grants to CSI an option to purchase the real estate, fixtures and personal property comprising the Project or associated with the physical operations thereof, owned by North Capitol Commons LP at the time of purchase, after the close of the 15-year compliance period for the low-income housing tax credit for the Project (the “Compliance Period”), on the terms and conditions set forth in the agreement.

Grant of Refusal Right

In the event that North Capitol Commons LP receives a bona fide offer to purchase the Project, CSI shall have a right of first refusal to purchase the Property (the “Refusal Right”) after the close of the Compliance Period, on the terms and conditions set forth in the agreement.

On August 28, 2014, CSI entered into a Leasehold Deed of Trust, Security Agreement and Assignment of Leases and Rents with North Capitol Commons LP. Under the terms of said agreement, North Capitol Commons LP (the “Borrower”) irrevocably conveyed its right, title and interest in the leases of said property to CSI as collateral for the guaranteed performance by North Capitol Commons LP.

NOTE 16 – RECLASSIFICATIONS

Certain line items in the December 31, 2017 consolidated financial statements have been reclassified to conform to the December 31, 2018 presentations.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through August 5, 2019, the date the consolidated financial statements were available to be issued.

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
SUPPLEMENTARY INFORMATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018

| | Community Solutions International, Inc. | Community Solutions 519 Rockaway Avenue, Inc. | CS Swift, LLC | Swift Factory, LLC | Swift Factory Master Tenant LLC | Eliminations | Consolidated Totals |
|---|--|--|----------------------|-------------------------------|--|------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 4,144,780 | \$ 42,974 | \$ - | \$ 1,001 | \$ 41,962 | \$ - | \$ 4,230,717 |
| Contributions receivable, net | 1,594,344 | 500,488 | - | - | - | - | 2,094,832 |
| Other receivables, net | 1,211,162 | 505,056 | 40,703 | - | 20,135 | (514,949) | 1,262,107 |
| Loans receivable | 26,777,275 | - | 6,182,704 | - | 1,016,123 | (7,198,827) | 26,777,275 |
| Restricted cash | 462,913 | - | 85,151 | 17,261,396 | - | - | 17,809,460 |
| Replacement reserve | - | 74,580 | - | - | - | - | 74,580 |
| Operating reserve | - | 99,368 | - | - | - | - | 99,368 |
| Prepaid expenses and other assets | 48,483 | 1,779 | - | - | - | - | 50,262 |
| Due from Northeast Neighborhood Partners, Inc. | 73,049 | - | - | - | - | - | 73,049 |
| Due from North Capitol Commons GP LLC | 4,350 | - | - | - | - | - | 4,350 |
| Due from Community Solutions 519 Rockaway Avenue, Inc. | 1,023,244 | - | - | - | - | (1,023,244) | - |
| Investment in Swift Factory, LLC | - | - | 2,077,864 | - | 230,874 | (2,308,738) | - |
| Investment in Swift Factory Master Tenant LLC | - | - | 42,159 | - | - | (42,159) | - |
| Property and equipment, net | 770 | 5,265,157 | - | 9,082,910 | - | (200,000) | 14,148,837 |
| TOTAL ASSETS | \$ 35,340,370 | \$ 6,489,402 | \$ 8,428,581 | \$ 26,345,307 | \$ 1,309,094 | \$ (11,287,917) | \$ 66,624,837 |
| LIABILITIES AND NET ASSETS/MEMBERS' EQUITY | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts payable and accrued expenses | \$ 1,305,767 | \$ 65,848 | \$ 59,524 | \$ 922,243 | \$ - | \$ (514,949) | \$ 1,838,433 |
| Due to Made in Brownsville | 3,816 | - | - | - | - | - | 3,816 |
| Due to Community Solutions International, Inc. | - | 1,023,244 | - | - | - | (1,023,244) | - |
| Loans payable, net | 17,165,706 | 948,000 | 7,363,970 | 23,114,326 | - | (7,198,827) | 41,393,175 |
| TOTAL LIABILITIES | 18,475,289 | 2,037,092 | 7,423,494 | 24,036,569 | - | (8,737,020) | 43,235,424 |
| NET ASSETS/MEMBERS' EQUITY | | | | | | | |
| Without donor restrictions | 13,253,779 | 4,140,337 | 1,005,087 | 2,308,738 | 42,159 | (2,550,897) | 18,199,203 |
| Non-controlling members' interests in consolidated subsidiaries | - | - | - | - | 1,266,935 | - | 1,266,935 |
| Total without donor restrictions | 13,253,779 | 4,140,337 | 1,005,087 | 2,308,738 | 1,309,094 | (2,550,897) | 19,466,138 |
| With donor restrictions | 3,611,302 | 311,973 | - | - | - | - | 3,923,275 |
| TOTAL NET ASSETS/MEMBERS' EQUITY | 16,865,081 | 4,452,310 | 1,005,087 | 2,308,738 | 1,309,094 | (2,550,897) | 23,389,413 |
| TOTAL LIABILITIES AND NET ASSETS/MEMBERS' EQUITY | \$ 35,340,370 | \$ 6,489,402 | \$ 8,428,581 | \$ 26,345,307 | \$ 1,309,094 | \$ (11,287,917) | \$ 66,624,837 |

See independent auditors' report.

COMMUNITY SOLUTIONS INTERNATIONAL, INC. AND SUBSIDIARIES
D/B/A COMMUNITY SOLUTIONS, INC.
SUPPLEMENTARY INFORMATION
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Community Solutions International, Inc. | Community Solutions 519 Rockaway Avenue, Inc. | CS Swift, LLC | Swift Factory, LLC | Swift Factory Master Tenant LLC | Eliminations | Consolidated Totals |
|--|---|--|------------------|-----------------------|---------------------------------------|--------------------|------------------------|
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS: | | | | | | | |
| REVENUES, GAINS, AND OTHER SUPPORT | | | | | | | |
| Governmental grants | \$ 545,675 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 545,675 |
| Contributions | 2,905,412 | - | 1,205,600 | - | - | (1,205,600) | 2,905,412 |
| Consulting income | 455,526 | - | - | - | - | - | 455,526 |
| Development and management fees | 891,490 | - | - | - | - | (200,000) | 691,490 |
| Rental income | 15,312 | 294,937 | - | - | - | (155,660) | 154,589 |
| Other income | 26,004 | 8,211 | - | - | - | - | 34,215 |
| Program income | 34,008 | - | - | - | - | - | 34,008 |
| Interest income | 206,155 | - | 40,773 | 50,344 | 20,151 | (60,838) | 266,585 |
| Equity in net income from Swift Factory, LLC | - | - | 10,743 | - | 1,194 | (11,937) | - |
| Equity in net income from Swift Factory Master Tenant LLC | - | - | 213 | - | - | (213) | - |
| Net assets released from restriction | 8,470,940 | 1,093,439 | - | - | - | - | 9,564,379 |
| TOTAL REVENUE, GAINS AND OTHER SUPPORT - WITHOUT DONOR RESTRICTIONS | 13,550,522 | 1,396,587 | 1,257,329 | 50,344 | 21,345 | (1,634,248) | 14,641,879 |
| EXPENSES | | | | | | | |
| Program services | | | | | | | |
| Built for Zero | 5,025,186 | - | - | - | - | - | 5,025,186 |
| Inspiring Places | 1,153,150 | - | - | - | - | - | 1,153,150 |
| Brownsville Partnership | 838,708 | - | - | - | - | (96,950) | 741,758 |
| Hartford Community Partnership | 428,778 | - | - | - | - | - | 428,778 |
| Real estate projects | 2,698,373 | 436,432 | 252,242 | 38,407 | - | (1,266,438) | 2,159,016 |
| Fiscal sponsorship | 576,589 | - | - | - | - | - | 576,589 |
| Other programs | 163,400 | - | - | - | - | - | 163,400 |
| Total program services | 10,884,184 | 436,432 | 252,242 | 38,407 | - | (1,363,388) | 10,247,877 |
| Supporting services | | | | | | | |
| Management and general | 778,864 | - | - | - | - | (58,710) | 720,154 |
| Fundraising | 334,480 | - | - | - | - | - | 334,480 |
| Total supporting services | 1,113,344 | - | - | - | - | (58,710) | 1,054,634 |
| TOTAL EXPENSES | 11,997,528 | 436,432 | 252,242 | 38,407 | - | (1,422,098) | 11,302,511 |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | 1,552,994 | 960,155 | 1,005,087 | 11,937 | 21,345 | (212,150) | 3,339,368 |
| Non-controlling members' interests in net income of consolidated subsidiaries | - | - | - | - | (21,132) | - | (21,132) |
| Capital contributions | - | - | - | 2,296,801 | 41,946 | (2,338,747) | - |
| Net assets without donor restrictions, beginning of year | 11,700,785 | 3,180,182 | - | - | - | - | 14,880,967 |
| Net assets without donor restrictions, end of year | 13,253,779 | 4,140,337 | 1,005,087 | 2,308,738 | 42,159 | (2,550,897) | 18,199,203 |
| CHANGE IN NON-CONTROLLING MEMBERS' INTERESTS IN CONSOLIDATED SUBSIDIARIES | | | | | | | |
| Non-controlling members' interests in consolidated subsidiaries - beginning of year | - | - | - | - | - | - | - |
| Non-controlling members' interests in net income of consolidated subsidiaries | - | - | - | - | 21,132 | - | 21,132 |
| Non-controlling members' capital contributions | - | - | - | - | 1,245,803 | - | 1,245,803 |
| Non-controlling members' interests in consolidated subsidiaries - end of year | - | - | - | - | 1,266,935 | - | 1,266,935 |
| CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS: REVENUES, GAINS, AND OTHER SUPPORT | | | | | | | |
| Contributions | 7,892,163 | 325,000 | - | - | - | - | 8,217,163 |
| Net assets released from restriction | (8,470,940) | (1,093,439) | - | - | - | - | (9,564,379) |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS | (578,777) | (768,439) | - | - | - | - | (1,347,216) |
| Net assets with donor restrictions, beginning of year | 4,190,079 | 1,080,412 | - | - | - | - | 5,270,491 |
| Net assets with donor restrictions, end of year | 3,611,302 | 311,973 | - | - | - | - | 3,923,275 |
| Net assets/members' equity, beginning of year | 15,890,864 | 4,260,594 | - | - | - | - | 20,151,458 |
| CHANGE IN NET ASSETS/MEMBERS' EQUITY | 974,217 | 191,716 | 1,005,087 | 2,308,738 | 1,309,094 | (2,550,897) | 3,237,955 |
| Net assets/members' equity, end of year | \$ 16,865,081 | \$ 4,452,310 | \$ 1,005,087 | \$ 2,308,738 | \$ 1,309,094 | \$ (2,550,897) | \$ 23,389,413 |

See independent auditors' report.