

Assisi Housing Corporation

Financial Statements
(with Independent Auditors'
Report Thereon)

June 30, 2021



| **Allan Smith & Company, CPAs PC**

ASSISI HOUSING CORPORATION

Financial Statements

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Independent Auditors' Report

To the Board of Directors
Assisi Housing Corporation
New Bedford, Massachusetts

Report on the financial statements:

We have audited the accompanying financial statements of the Assisi Housing Corporation (a Massachusetts not-for-profit organization) (hereinafter "Organization") which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements:

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

Auditors' responsibility:

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

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

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

To the Board of Directors
Assisi Housing Corporation
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Opinion:

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Assisi Housing Corporation, as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other reporting required by Government Auditing Standards:

In accordance with Government Auditing Standards, we have also issued our report dated December 27, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Assisi Housing Corporation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Allan Smith and Company CPAs PC". The signature is written in a cursive, flowing style.

Allan Smith and Company, CPAs PC
Lakeville, Massachusetts
December 27, 2021

ASSISI HOUSING CORPORATION

Statement of Financial Position

June 30, 2021

Assets:

Current assets:

Cash	\$	74,671
Accounts receivable		2,374
Total current assets		77,045

Deposits held in trust - funded:

Tenants' security deposits (contra)		1,507
Total deposits held in trust - funded		1,507

Restricted deposits and funded reserves:

Replacement reserve		224,499
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Rental property, at cost:

Land, buildings, improvements, and the motor vehicle, net		2,433,999
Total long-term assets		2,433,999

Total assets	\$	2,737,050
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Liabilities and Net Assets:

Current liabilities:

Accounts payable	\$	1,739
Accounts payable, related party		79
Accrued expenses		9,000
Current maturities of notes payable		8,549
Total current liabilities		19,367

Deposits held in trust - funded

1,507

Long-term liabilities:

Long-term notes payable, net of current maturities		2,951,187
Total long-term liabilities		2,951,187

Total liabilities		2,972,061
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Net assets:

Without donor restrictions		(235,011)
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Total liabilities and net assets	\$	2,737,050
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ASSISI HOUSING CORPORATION

Statement of Activities

Year Ended June 30, 2021

Income and other support without donor restrictions:

Rents, residential including housing assistance	\$	191,694
Support services grant revenue		20,833
Laundry income		813
Other income		485

Total income and other support without donor restrictions 213,825

Expenses:

Program services		267,555
General and administrative expenses		7,161

Total expenses 274,716

Change in net assets without donor restrictions (60,891)

Net assets without donor restrictions, beginning of year (174,120)

Net assets without donor restrictions, end of year \$ (235,011)

ASSISI HOUSING CORPORATION

Statement of Functional Expenses

Year Ended June 30, 2021

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Depreciation and amortization	\$ 96,350	\$ -	\$ 96,350
Project payroll expense	57,367	-	57,367
Utilities	23,736	-	23,736
Professional fees	15,980	2,703	18,683
Repairs and maintenance	17,694	-	17,694
Interest	14,601	-	14,601
Property insurance	12,971	-	12,971
Management fees	9,528	2,382	11,910
Trash	7,023	-	7,023
Telephone and internet	4,440	783	5,223
Payroll taxes and related expenses	5,053	-	5,053
Vehicle and travel expense	1,626	1,084	2,710
Office supplies and related	1,186	209	1,395
Total expenses	<u>\$ 267,555</u>	<u>\$ 7,161</u>	<u>\$ 274,716</u>

See accompanying notes to financial statements.

ASSISI HOUSING CORPORATION

Statement of Cash Flows

Year Ended June 30, 2021

Cash flows from operating activities:	
Change in net assets	\$ (60,891)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	96,350
Accrued interest	1,500
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(1,650)
Cash restricted for replacement reserves	(19,727)
Increase (decrease) in liabilities:	
Accounts payable	914
Accounts payable, related party	79
Tenants' security deposits (contra)	(1,044)
Total adjustments	<u>76,422</u>
Net cash provided by operating activities	<u>15,531</u>
Cash flows from investing activities:	
Net deposits to reserve for replacements	19,727
Cash restricted for tenants' security deposits	<u>1,044</u>
Net cash provided by investing activities	<u>20,771</u>
Cash flows from financing activities:	
Repayment of long-term notes payable	<u>(7,707)</u>
Net cash used in financing activities	<u>(7,707)</u>
Net increase in cash and restricted deposits	28,595
Cash and restricted deposits, beginning of year	<u>270,575</u>
Cash and restricted deposits, end of year	<u>\$ 299,170</u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	<u>\$ 13,101</u>
Reconciliation of cash balances:	
Cash	\$ 74,671
Replacement reserves	<u>224,499</u>
Cash and restricted deposits, end of year	<u>\$ 299,170</u>

ASSISI HOUSING CORPORATION

Notes to Financial Statements

1. Organization and summary of significant accounting policies:

Organization and nature of operations:

Assisi Housing Corporation (hereinafter “Organization”) is a Massachusetts not-for-profit organization incorporated in 2010. The purpose of the Organization is to provide housing facilities to income eligible individuals and families intended to meet their physical, social, economic, and psychological needs. The Organization’s mission is to promote individuals’ health, security, and happiness, as well as enhance their longevity through supports.

The Organization owns and operates a seventeen (17) unit residential rental property located at 154-168 Eagle Street in Fall River Massachusetts, (hereinafter “Property”) which it purchased in June 2015. At the date of purchase, the Organization entered into agreements with the U.S. Department of Housing and Urban Development (hereinafter “HUD”); the Mass Housing Finance Agency (“MHFA”); the Massachusetts Department of Housing and Community Development under the Housing Innovations Trust Fund Statute, Massachusetts General Laws (M.G.L.) Section 121E and the Affordable Housing Trust Fund Statute (“AHT”), M.G.L. Section 121D; the Community Economic Development Assistance Corporation (“CEDAC”); as well as the City of Fall River, Massachusetts, which, among other matters, regulate rent charges, operating methods, mortgage prepayment requirements, surplus cash flow limitations, and real estate tax assessments. The Property is partly supported by a HUD Section 8 project-based voucher agreement that provides significant rent subsidies for eight (8) of the units under a fifteen (15) year agreement that began in March 2011 and was assumed by the Organization at the date of purchase.

A summary of significant accounting policies consistently applied in the preparation of the financial statements follows:

Basis of financial reporting:

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (hereinafter “U.S. GAAP”).

Use of estimates and assumptions:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements; as well as the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates and assumptions.

Financial statement presentation:

The financial statements are presented on the accrual basis and in accordance with the reporting principles of not-for-profit accounting. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

ASSISI HOUSING CORPORATION

Notes to Financial Statements

1. Organization and summary of significant accounting policies - continued:

Financial statement presentation - continued:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed (or certain grantor) restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These resources are comprised of rental income and grant revenues which are available and used for operations and programs. The governing Board of the Organization may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.

Net assets with donor restrictions - Net assets which include resources subject to donor-imposed (or certain grantor) restrictions. Some donor-imposed restrictions either expire with the passage of time and/or can be fulfilled and removed by the actions of the Organization to comply with the donor-imposed restrictions. Other donor-imposed restrictions are permanent in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions in the period in which the donor-imposed stipulations are met or the stipulated time restrictions have passed, or both. Resources of this nature originate from contributions, grants, bequests, contracts, and investment income earned on donor restricted funds.

None of the Organization's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as net assets without donor restrictions.

Grants, which are limited to the use of various of the Organization's programs, are reflected as a component of net assets without donor restrictions if these funds are received and spent during the same year and if they support the activities of the Organization within the limits of the Organization's articles of organization.

Cash and cash equivalents:

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments with a maturity of three (3) months or less to be cash equivalents.

Accounts receivable and uncollectible accounts:

All accounts receivable from exchange transactions are considered collectible at year-end. Accounts receivable over ninety (90) days old are considered past due and are written off routinely after it is evident that the collection effort has little or no chance of near-term success. The Organization had no significant past due contract assets at June 30, 2021. The Organization uses the direct method in writing off uncollectible contract assets because its effect on the financial statements is not materially different from the results that would have been obtained under the allowance method required by U.S. GAAP.

ASSISI HOUSING CORPORATION

Notes to Financial Statements

1. Organization and summary of significant accounting policies - continued:

Land, buildings, improvements, and the motor vehicle:

Land, buildings, improvements, and the motor vehicle are stated at cost at the date of acquisition or fair value at the date of donation, in the case of gifts.

Expenditures that significantly add to the productivity or extend the useful lives of property and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred.

Depreciation is provided for over the estimated service lives of the respective assets on a straight-line basis. A summary of depreciable lives follows:

Buildings	30 years
Building improvements	30 years
Motor vehicle	5 years

The Organization has significant buildings and improvements and those currently held require routine scheduled maintenance. The cost of routine and non-routine repairs and maintenance was funded on a “pay as you go” basis for the year ended June 30, 2021, as well as in prior years.

The Organization evaluates events and changes in circumstances which indicate that long-lived assets may be impaired which includes measuring the estimated future undiscounted cash flows (without interest charges) associated with the asset to the asset’s carrying amount to determine if a write-down to fair value is required. If an impairment is present, the assets are reported at the lower of carrying value or fair value.

Income taxes:

The Organization is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private Organization. The Organization is also exempt from Massachusetts income tax. Therefore, no provision for income taxes has been made in the accompanying financial statements.

Revenue and other support recognition:

Revenues are reported as increases in net assets without donor restrictions, unless the use of the related asset is limited by donor-imposed restrictions.

Rental revenue:

Rental revenue is attributable to residential leases and is recorded on an accrual basis. The Organization records rental revenue, principally from short-term leases (one year or less) on residential apartment units, by assessing income-eligible individuals residing in its Property on the first day of each month of occupancy consistent with the lease agreement. Under the Regulatory Agreement, the Organization may not increase rents charged to subsidized rental tenants without the approval of the funding source.

ASSISI HOUSING CORPORATION

Notes to Financial Statements

1. Organization and summary of significant accounting policies - continued:

Revenue and other support recognition - continued:

Conditional contributions:

The Organization receives government grant revenue for support services provided to tenants of the property and it is recognized as earned consistent with the period of occupancy of each tenant on a unit rate fee for service basis. The Organization recognizes revenue from this government grant as a conditional contribution. Such revenue is recognized over the period of the performance with the passage of time. Conditional grant awards, having both the existence of a barrier and right of return, to the resource provider, are classified as refundable advances when received as a cash advance and are recognized as revenue when the awards are expended for the purpose of the grant or other conditions are satisfied. There were no refundable advances at June 30, 2021. Government grants and contracts are subject to audit by federal and state agencies.

Timing of revenue recognition:

Rental revenue as well as government contract revenue and grants are recognized when the services are rendered, in that the barrier to entitlement has been met and the Organization has the right to the related resources. Rental payments received in advance are deferred until earned and reported as prepaid revenue in the Statement of Position.

Functional allocation of expenses:

Expenditures incurred in connection with Property operations and expenditures made for Organization purposes have been summarized on a functional basis in the Statement of Activities.

Allocation of direct expenses to program services and supporting services:

Direct expenses are allocated as follows:

Other program/operating expense:

Based on specific identification to the program or administrative function or as a percentage of the total expense using an appropriate base for the expense type.

Depreciation of buildings and equipment:

Based on specific identification of an asset for a function or program square footage to total square footage.

Subsequent events:

Subsequent events are transactions or events that occur after the Statement of Financial Position date but before the financial statements are issued or available to be issued. The Organization has evaluated subsequent events through December 27, 2021 which is the date the financial statements were available to be issued.

ASSISI HOUSING CORPORATION

Notes to Financial Statements

2. Land, buildings, improvements, and the motor vehicle:

Land, buildings, improvements, and the motor vehicle consisted of the following at June 30, 2021:

Land	\$ 239,400
Buildings and improvements	2,738,797
Motor vehicle	<u>24,034</u>
	3,002,231
Less: accumulated depreciation	<u>(568,232)</u>
Land, buildings, improvements, and the motor vehicle, net	<u>\$ 2,433,999</u>

Depreciation expense for the year ended June 30, 2021 was \$96,350.

3. Replacement reserves:

The Organization, as a provision of its mortgage notes with the Massachusetts Department of Housing and Community Development (hereinafter "DHCD"), is required to set aside funds for the replacement of property and equipment. The use of these funds requires approval from DHCD. At June 30, 2021, the Organization held replacement reserve funds totaling \$224,499.

4. Deposits held in trust - funded:

Deposits held in trust consisted of the following as of June 30, 2021:

Security deposits held	\$ <u>1,507</u>
Total deposits held in trust - funded	<u>\$ 1,507</u>

5. Long-term notes payable:

Long-term notes payable consisted of the following at June 30, 2021:

Note payable, bank, first position, original amount of \$360,773, partly amortizing using a 360-month amortization, due in 240 monthly installments, including principal and interest of \$1,734, at a fixed rate of 4.0%, secured by real estate, balloon payment of \$165,860 due June 2035.

\$ 318,976

ASSISI HOUSING CORPORATION

Notes to Financial Statements

5. Long-term notes payable - continued:

Deferred note payable, collective second position, Massachusetts Housing Partnership under the Massachusetts Housing Stabilization and Investment Trust Fund Statute (HSITF), original amount of \$890,760, secured by real estate. The note bears no interest or principal repayment if compliant with certain use restrictions until due in November 2061 or with the sale or change of use of the property. The Organization may request an extension of the repayment for a period of up to the original term to maintain the income affordability for the residents of the property.

\$ 890,760

Deferred note payable, collective second position, Massachusetts Housing Finance Agency under the Massachusetts Affordable Housing Trust Fund Statute (AHT), original amount of \$850,000, secured by real estate. The note bears no interest or principal repayment if compliant with certain use restrictions until due in November 2041 or with the sale or change of use of the property. The Organization may request an extension of the repayment for a period of up to the original term to maintain the income affordability for the residents of the property.

850,000

Deferred note payable, collective second position, Community and Economic Development Assistance Corporation (CEDAC) under the Massachusetts Housing Innovations Trust Fund Statute (HIF), original amount of \$750,000, secured by real estate. The note bears no interest or principal repayment if compliant with certain use restrictions until due in November 2041 or with the sale or change of use of the property. The Organization may request an extension of the repayment for a period of up to the original term to maintain the income affordability for the residents of the property.

750,000

Deferred note payable, collective second position, HOME Investment Partnership Program with the City of Fall River, Massachusetts, original amount of \$150,000, secured by real estate. The note accrues 1.0% fixed rate interest with no repayment if compliant with certain use restrictions until due in November 2041 or with the sale or change of use of the property. The Organization may request an extension of the repayment for a period of up to the original term to maintain the income affordability for the residents of the property.

Less: current portion of long-term notes payable

150,000
2,959,736
(8,549)

Long-term notes payable, net of current maturities

\$2,951,187

Interest expense for the year ended June 30, 2021, totaled \$14,601.

ASSISI HOUSING CORPORATION

Notes to Financial Statements

5. Long-term notes payable - continued:

Future maturities of long-term notes payable for the next five (5) years and in the aggregate are as follows:

2022	\$ 8,549
2023	8,897
2024	9,260
2025	9,637
2026	10,030
Thereafter	<u>2,913,363</u>
Total long-term notes payable	<u>\$ 2,959,736</u>

The Organization is required to comply with certain financial and administrative covenants relating to certain notes payable. The Organization, as of the date of the independent auditors' report, is in compliance with the financial and administrative covenants.

6. Liquidity:

The Organization is partly supported by a HUD Section 8 project-based voucher agreement that provides significant rent subsidies for eight (8) of the seventeen (17) residential rental units under a fifteen (15) year agreement that began in March 2011. The Organization works with Housing Solutions for Southeastern Massachusetts (hereinafter "Housing Solutions"), a not-for-profit organization, who maintains a continuous list of income-eligible prospective tenants. This tends to limit lost rental revenue from vacancies and provides for relatively consistent cash flows throughout the year. This reasonably aligns with the Organization's expectation that its financial assets, which consist largely of cash and accounts receivable, will be available to meet its general expenditures, liabilities, and mortgage obligations as they come due. As \$2,640,760 of the total mortgage notes payable are deferred if the Organization is compliant with certain use restrictions, current cash flows are not required, or may never be, if forgiven consistent with the note terms. This generally allows for sufficient cash availability throughout the year.

7. Availability of financial assets:

The Organization's liquid resources available to meet operational requirements, without restrictions limiting their use, within one year of the Statement of Financial Position as of June 30, 2021, comprised the following:

Cash and cash equivalents	\$ 74,671
Accounts receivable, collectible within one year	<u>2,374</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 77,045</u>

ASSISI HOUSING CORPORATION

Notes to Financial Statements

7. Availability of financial assets - continued:

These amounts are reduced by amounts not available for general use because of contractual or regulatory restrictions on its use. The Organization's significant contract relationship is with Housing Solutions, an unrelated not-for-profit organization, and represented seventy-six percent (76%) of its revenue at June 30, 2021. Historically, the Organization collects the subsidized portion of monthly rents from Housing Solutions and the tenant portion in advance of the month to support its working capital needs.

8. Real estate taxes:

The Organization entered into an agreement with the City of Fall River, Massachusetts, and the Commonwealth of Massachusetts under Massachusetts General Laws (M.G.L.) Chapter 121A. This agreement, in addition to other requirements including use restrictions and limitations on excess cash flows, exempts the Organization from local real estate and personal property taxes. This agreement remains in effect throughout the term of the Regulatory Agreement.

9. Rental assistance program:

The U.S. Department of Housing and Urban Development (HUD), acting through the Massachusetts Housing Finance Agency, is providing the Organization with project-based housing assistance payments pursuant to Section 8 of the National Housing Act, as amended. These funds are being paid in accordance with a contract commencing March 2011 which provides significant rent subsidies for eight (8) of the rental units under a fifteen (15) year agreement.

10. Related party transactions:

The Organization has a management contract with Community Action for Better Housing, Inc. (hereinafter "CABH"), a related party through similar board membership, as the property manager for the Property. Amounts paid for property management services for the year ended June 30, 2021, totaled \$11,910. CABH also provides maintenance and social service support personnel for the Property and the costs reimbursed for these services for the year ended June 30, 2021, totaled \$62,418. At June 30, 2021, the Organization owed the related party \$79 for these goods and services.

11. Contingencies:

The Organization's operations are concentrated in the multifamily residential real estate market. In addition, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to administrative directives, rules, and regulations of federal, state, and local regulatory agencies including, but not limited to, the following:

U.S. Department of Housing and Urban Development
Mass Housing Finance Agency
Massachusetts Department of Housing and Community Development
Community Economic Development Assistance Corporation
City of Fall River Community Development Agency

ASSISI HOUSING CORPORATION

Notes to Financial Statements

11. Contingencies - continued:

These administrative directives, rules, and regulations are subject to change by act of the United States Congress, act of the state and local legislature, or an administrative change mandated by the United States federal agencies or the Commonwealth of Massachusetts departments noted above. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with the change. Additionally, contractual funding may decrease or be withdrawn during contract periods with little notice.

On March 23, 2020, the Governor of the Commonwealth of Massachusetts ordered all non-essential businesses and organizations to close immediately. The Governor's order included a significant number of companies with a mandate to remain closed until June 29, 2020, or July 6, 2020, depending upon the type of business, at which time companies were allowed to reopen at a significantly reduced capacity. This included many companies who employ tenants of the Property. Currently, it remains uncertain as to how changes mandated by the Massachusetts Department of Health to ensure proper safety protocols are maintained in response to the COVID-19 pandemic will impact the tenants' employers' operations. This presents uncertainty for the continued employment of property tenants. In addition, on April 20, 2020, the Governor signed into law a moratorium on evictions of tenants during the COVID-19 pandemic that was extended through October 17, 2020. When the state moratorium expired, a federal moratorium established by the Centers for Disease Prevention and Control (hereinafter "CDC") became effective in Massachusetts. Through March 31, 2021, the CDC moratorium prevented residential evictions for non-payment for qualified tenants who submit a written declaration to their landlord. As most tenants receive continuing federal and state rent subsidies, the near-term impact has been minimal to date. While management expects the pandemic to negatively impact its business, results of operations, and financial position, the related financial impact cannot be reasonably determined at this time.

12. Concentrations of credit and economic risk:

The Organization maintains its cash deposits at one (1) financial institution. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents which may, at times, exceed federally insured limits. The financial institution is also insured by the Massachusetts Depositors Insurance Fund that insures all deposits above the federally insured limits.

At June 30, 2021, revenues from the Commonwealth of Massachusetts, Department of Housing and Community Development through a pass-through organization, comprised seventy-six percent (76%) of total Organization revenues.

ASSISI HOUSING CORPORATION

Notes to Financial Statements

13. Effect of new accounting pronouncements:

In February 2016, the Financial Accounting Standards Board (hereinafter “FASB”) issued Accounting Standards Update (hereinafter “ASU”) No. 2016-02, *Leases (Topic 842)*. This update establishes the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. Among other things, in the amendments in ASU No. 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1.) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and 2.) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. ASU No. 2016-02 will be effective for the Organization’s year ending June 30, 2022, and is not expected to have a material impact on the Organization’s financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This amendment clarifies and improves current not-for-profit organization guidance related to the presentation and disclosure of contributed nonfinancial assets in the financial statements. This includes reporting contributed nonfinancial assets separately from other revenue and support in the Organization’s statement of activities. It also provides for expanded disclosure of qualitative information on how contributed nonfinancial assets are utilized in the Organization’s programs, a breakout of the types of assets contributed, the Organization’s policy on the asset’s use or monetization, donor restrictions (if any), and valuation considerations used to develop the fair value of contributed support amounts recorded. The amendment will be effective for the Organization’s year ending June 30, 2022. Management is currently evaluating the impact of ASU No. 2020-07 on the Organization’s financial statements.

Other recent accounting pronouncements issued by the FASB did not or are not believed by management to have a material impact on the Organization’s present or future financial statements.

***INFORMATION REQUIRED BY
GOVERNMENT AUDITING STANDARDS***



***Independent Auditors' Report on Internal Control over Financial Reporting
And on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

To the Board of Directors
Assisi Housing Corporation
New Bedford, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Assisi Housing Corporation (hereinafter "Organization"), which comprise the Statement of Financial Position as of June 30, 2021 and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 27, 2021.

Internal control over financial reporting:

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (hereinafter "internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Assisi Housing Corporation
Page two

Compliance and other matters:

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this report:

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Assisi Housing Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Allan Smith and Company, CPAs PC". The signature is written in a cursive, flowing style.

Allan Smith and Company, CPAs PC
Lakeville, Massachusetts
December 27, 2021

ASSISI HOUSING CORPORATION

Schedule of Findings and Responses

Findings related to financial statements:

None.

Status of prior year findings related to financial statements:

None