GREENHOPE SERVICES FOR WOMEN, INC. AND SUBSIDIARY

Consolidated Financial Statements

June 30, 2019 (with summarized comparative financial information for 2018)

With Independent Auditor's Reports

ADVISORY TAX AUDIT

Greenhope Services for Women, Inc. and Subsidiary
Table of Contents
June 30, 2019 and 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Greenhope Services for Women, Inc. and Subsidiary:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Greenhope Services for Women, Inc. and Subsidiary (collectively the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2019, and the related consolidated statements of activities and changes in net assets (deficit), 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 audits 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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Greenhope Services for Women, Inc. and Subsidiary as of June 30, 2019, and the changes in their net assets (deficit) and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

withum

Emphasis of Matter

As discussed in Note 2 in the notes to consolidated financial statements, in 2019, the Organization adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report of Summarized Comparative Information

We have previously audited the Organization's June 30, 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 10, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and is not a required part of the consolidated financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records use to prepare the consolidated financial statements. The supplemental 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2020 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 solely 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 Organization's internal control over financial reporting and compliance.

WithumSmith+Brown, PC

January 28, 2020

Greenhope Services for Women, Inc. and Subsidiary
Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 610,933	$ 361,263
Grants and contracts receivable, net	1,415,369	1,275,229
Due from affiliates	75,967	28,615
Prepaid expenses and other assets	34,932	50,699
Property and equipment, net	11,582,798	11,957,373
Total assets	$ 13,719,999	$ 13,673,179
Liabilities and Net Assets (Deficit)		
Liabilities		
Accounts payable and accrued expenses	$ 1,202,288	$ 1,053,792
Accrued payroll and related liabilities	148,296	159,173
Refundable advances	335,537	183,075
Loans payable	37,530	75,427
Due to affiliates	2,840,409	2,691,103
Mortgages payble	2,863,200	2,863,200
Other liabilities	144,855	102,290
Total liabilities	7,572,115	7,128,060
Net assets (deficit)		
Without donor restrictions	(3,655,255)	(3,841,505)
With donor restrictions	9,803,139	10,386,624
Total net assets (deficit)	6,147,884	6,545,119
Total liabilities and net assets (deficit)	$ 13,719,999	$ 13,673,179

The Notes to Consolidated Financial Statements are an integral part of these statements.

Greenhope Services for Women, Inc. and Subsidiary
Consolidated Statements of Activities and Changes in Net Assets (Deficit)
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019			2018
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Total**
Support and revenue				
Grants and contract revenues	$ 3,811,684	$ -	$ 3,811,684	$ 3,379,142
Contributions	22,550	-	22,550	6,106
Other income	1,941	-	1,941	94,915
Net asset released from restrictions	583,485	(583,485)	-	-
	4,419,660	(583,485)	3,836,175	3,480,163
Expenses				
Program services	2,891,115	-	2,891,115	3,221,233
Other programs	891,489	-	891,489	485,036
General and administrative	450,806	-	450,806	341,596
	4,233,410	-	4,233,410	4,047,865
Changes in net assets (deficit)	186,250	(583,485)	(397,235)	(567,702)
Net assets (deficit), beginning of year	(3,841,505)	10,386,624	6,545,119	7,112,821
Net assets (deficit), end of year	$ (3,655,255)	$ 9,803,139	$ 6,147,884	$ 6,545,119

The Notes to Consolidated Financial Statements are an integral part of these statements.

Greenhope Services for Women, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Rehabilitation Services	Other Programs	General and Administrative	Total
Salaries and wages	$ 1,372,271	$ 564,303	$ 8,104	$ 1,944,678
Employee benefits and payroll taxes	208,461	103,784	1,370	313,615
Consultant services	70,199	81,052	306,092	457,343
Transportation	21,992	10,752	246	32,990
Program and office supplies	27,164	8,938	2,311	38,413
Client activities	350	5,480	-	5,830
Household supplies	26,130	7,428	-	33,558
Food	174,669	9,388	-	184,057
Equipment and software	249,482	26,711	3,609	279,802
Occupancy	144,577	30,714	52	175,343
Telephone and communications	32,939	9,720	12,587	55,246
Audit and legal fees	1,000	-	34,882	35,882
Professional fees	4,105	908	9,938	14,951
Insurance	65,533	15,214	148	80,895
Repairs and maintenance	120,176	16,893	-	137,069
Other expenses	5,484	204	71,467	77,155
Total expenses before depreciation	2,524,532	891,489	450,806	3,866,827
Depreciation	366,583	-	-	366,583
Total expenses	$ 2,891,115	$ 891,489	$ 450,806	$ 4,233,410

The Notes to Consolidated Financial Statements are an integral part of this statement.

Greenhope Services for Women, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2018

	Rehabilitation Services	Other Programs	General and Administrative	Total
Salaries and wages	$ 1,590,392	$ 264,282	$ 54,303	$ 1,908,977
Employee benefits and payroll taxes	297,412	50,150	1,688	349,250
Consultant services	97,253	38,690	168,612	304,555
Consultant services - health	5,306	2,373	-	7,679
Transportation	31,732	10,004	1,153	42,889
Program and office supplies	40,416	7,688	2,683	50,787
Client activities	11,747	4,546	-	16,293
Household supplies	12,608	1,604	-	14,212
Food	156,070	4,004	792	160,866
Equipment and software	40,522	39,625	4,715	84,862
Occupancy	188,938	29,297	-	218,235
Telephone and communications	19,711	3,668	8,967	32,346
Audit and legal fees	1,338	58	37,890	39,286
Professional fees	5,036	596	6,436	12,068
Insurance	75,432	11,527	-	86,959
Repairs and maintenance	133,226	16,591	-	149,817
Bad debt expense	123,396	-	-	123,396
Other expenses	5,624	333	54,357	60,314
Total expenses before depreciation	2,836,159	485,036	341,596	3,662,791
Depreciation	385,074	-	-	385,074
Total expenses	$ 3,221,233	$ 485,036	$ 341,596	$ 4,047,865

The Notes to Consolidated Financial Statements are an integral part of this statement.

Greenhope Services for Women, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating activities		
Changes in net assets (deficit)	$ (397,235)	$ (567,702)
Adjustments to reconcile changes in net assets (deficit) to net cash provided by operating activities		
Depreciation and amortization	366,583	385,074
Loss on disposal of assets	7,992	-
Bad debt expense	-	123,396
Changes in operating assets and liabilities		
Contracts receivable	(140,140)	109,997
Other receivable	-	3,544
Due from affiliates	(47,352)	(23,650)
Prepaid expenses and other assets	15,767	(1,018)
Accounts payable and accrued expenses	148,496	(446,479)
Accrued payroll and related liabilities	(10,877)	57,731
Due to affiliates	149,306	691,331
Refundable advances	152,462	3,708
Other liabilities	42,565	33,785
Net cash provided by operating activities	287,567	369,717
Investing activities		
Purchases of property and eqipment	-	(84,811)
Net cash used in investing activities	-	(84,811)
Financing activities		
Repayment of loans payable	(37,897)	(34,917)
Net cash used in financing activities	(37,897)	(34,917)
Net change in cash and cash equivalents	249,670	249,989
Cash and cash equivalents		
Beginning of year	361,263	111,274
End of year	$ 610,933	$ 361,263
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 4,739	$ 7,976

The Notes to Consolidated Financial Statements are an integral part of these statements.

1. DESCRIPTION OF ORGANIZATION

Greenhope Services for Women, Inc. (“Greenhope Services”), is a not-for-profit corporation, founded under the laws of the State of New York in 1975, organized to provide comprehensive residential substance abuse treatment services, supportive housing, family services, and a range of prevention and outpatient programs to formerly incarcerated women, women referred by the courts as an alternative to incarceration, and women from the community seeking substance-abuse treatment.

Greenhope Candace House Housing Development Fund Corporation (“Candace House”) is a not-for-profit organization incorporated in the State of New York. Candace House is organized exclusively for the purpose of operating housing and other rehabilitative services for women in Greenhope Services’ programs. Greenhope Services exercises control and has a financial interest in Candace House.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Greenhope Services and Candace House. Greenhope Services and Candace House, referred to collectively as the “Organization”, are supported primarily by government contracts. All significant intercompany transactions have been eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements have been prepared under the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") as applicable to not-for-profit organizations.

In the consolidated statements of financial position, assets are presented in order of liquidity or conversion to cash and liabilities are presented according to their maturity resulting in the use of cash.

Financial Statement Presentation

The classification of the Organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets, with and without donor restrictions be displayed in a consolidated statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a consolidated statement of activities and changes in net assets (deficit).

These classes are defined as follows:

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Net assets without donor restrictions - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements.

Revenue Recognition

Revenue from government grants and contracts is recognized as earned, that is, as related costs are incurred under such agreements, services are rendered, or when applicable performance-based milestones are reached. Grants are recognized as support without donor restrictions only to the extent of actual expenses incurred in compliance with grantor-imposed restrictions. Reimbursements are subject to audit and retroactive adjustments by the respective grantor. Revenue from retroactive adjustments is recognized in the year the adjustments are made.

Contributions received, including unconditional promises to give, if any, are reported at their net realizable values. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit their use or if they are intended to support activities in future periods. Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as unrestricted income.

Use of Estimates

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

Comparative Financial Information

The consolidated financial statements include certain prior year summarized comparative information. With respect to the consolidated statement of activities and changes in net assets (deficit), the prior year information is presented in total, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2018 from which the summarized information was derived.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at the approximate fair value at the date of donation. Items with a value of $5,000 or more with estimated useful lives of more than one year are capitalized. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Buildings and building improvements	40 years
Furniture and equipment	3 – 7 years

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of June 30, 2019 and 2018, there were no such losses.

Functional Allocation of Expenses

The costs of providing program and other activities has been summarized on functional basis in the statements of activities and changes in net assets (deficit). Accordingly, certain costs have been allocated to the programs benefitted. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and wages, Employee Benefits and Payroll Taxes, Consultant Services	Time and Effort
Occupancy	Square footage
All other expenses	Direct charge

Concentration of Credit Risk

Cash is maintained in financial institutions in amounts which, at times, may exceed federally insured limits. These financial institutions have a strong credit rating and management believes that credit risk related to these accounts is minimal. The Organization has not experienced any losses in such accounts.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with a maturity date of three months or less on the date of acquisition.

Grants and Contract Receivables and Allowance for Doubtful Accounts

The Organization records contracts receivable based on established contracts with funding agencies. Interest is not charged on outstanding receivables. The Organization determines whether an allowance for uncollectible amount should be provided for contracts receivable. Such estimates are based on management's assessment of the aged basis of its contracts receivable, subsequent receipts, current economic conditions and historical information. Contracts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. The Organization also received funds in excess of expenditures incurred, resulting in refundable advances.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and New York taxation codes. Accordingly, no provision for income taxes has been reflected in the accompanying consolidated financial statements.

The Organization follows generally accepted accounting principles in the United States of America related to uncertain tax positions which require tax effects from an uncertain tax position to be recognized in the consolidated financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50 % likely to be recognized upon ultimate settlement with the taxing authority is recorded. The Organization's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. Management has evaluated the tax positions reflected in the Organization's tax filings and does not believe that any material uncertain tax positions exist.

The Organization files forms 990 in the U.S. federal jurisdiction and CHAR 500 in the State of New York. The Organization did not recognize any tax related penalties or interest for the year ended June 30, 2019.

Accounting Pronouncements Adopted in the Current Year

Not-for-profit Reporting

During 2018, the Organization adopted Accounting Standards Update ("ASU") *2016-14 – Not-for-profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-profit Entities* issued by the Financial Accounting Standards Board ("FASB"). This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and presentation of expenses by both their natural and functional classification.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 is as follows:

	ASU 2016-14 Classifications		
Net Asset Classifications	**Net Assets Without Restrictions**	**Net Assets With Restrictions**	**Total**
Net assets as previously presented:			
Unrestricted	$ (3,841,505)	$ -	$ (3,841,505)
Temporarily restricted	-	10,308,230	10,308,230
Permanently restricted	-	78,394	78,394
Net assets as previously presented	$ (3,841,505)	$ 10,386,624	$ 6,545,119

Recent Accounting Pronouncements Not Yet Adopted

Leases

In February 2016, the FASB issued ASU 2016-02 *Leases* (Topic 842), which requires the recognition of a "right of use" asset and a lease liability, initially measured at the present value of the lease payments, on the consolidated statement of financial position for all of the Organization's lease obligations. This ASU is effective for fiscal years beginning after December 15, 2020. The Organization is currently evaluating the effect that this pronouncement will have on its consolidated financial statements and related disclosures.

Revenue Recognition – Exchange Transactions

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 *Revenue from Contracts with Customers* (Topic 606), which supersedes all existing revenue recognition requirements, including most industry-specific guidance. Together with subsequent amendments, this created Accounting Standards Codification Topic 606 ("ASC 606"). ASC 606 requires an entity to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the entity expects to receive for those goods or services. ASC 606 also expands disclosure requirements. ASC 606 will be effective for non-public entities for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. ASC 606 allows for either "full retrospective" adoption, meaning the standard is applied to all of the periods presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements. The Organization is currently evaluating the impact of adoption of ASC 606. At this time, management believes that the adoption of ASC 606 will not have a material impact on its consolidated financial statements because existing contractual performance obligations, which determine when and how revenue is recognized, are not materially changed under ASC 606.

Revenue Recognition - Contributions
In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958)*: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB is issuing this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit organizations ("NFPs") because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This proposed ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. This ASU is effective for annual periods and interim periods beginning after December 15, 2018.

Reclassifications
Certain prior year balances have been reclassified to be consistent with the current year consolidated financial statement presentation. The reclassifications had no impact on the net assets.

3. AVAILABILITY AND LIQUIDITY

The Organization's working capital and cash flows are largely dependent on Medicaid remittances which are received regularly throughout the year, generally within 2 to 4 weeks from the date the services are provided and bills issued. Additionally grant funding from OASAS (define if this is the earliest occurrence) is received monthly based on submissions and reconciled with annual reporting. OASAS provides additional funding to cover program deficits based on allowable costs submitted by the organization. To manage liquidity the Organization prioritizes payroll related expenditures and to the extent practical, timing other vendor disbursements based on cash flow forecasting. The Organization has the ability to request cash resources from affiliates that are related through common management in the event of a forecasted cash flow shortage. The following represents the Organization's financial assets available for amounts due within one year at June 30, 2019:

Cash and cash equivalents	$ 610,933
Contracts receivable, net	1,415,369
Due from affiliates	75,967
Less: endowment	(78,394)
	$ 2,023,875

While the organization has received permission to borrow from the endowment fund for general operations, the amount is considered restricted for purposes of satisfying expenditures that are due within one year of the statement of financial position date and thus not included in the amount that is considered available. None of the financial assets are subject to contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

4. GRANTS AND CONTRACTS RECEIVABLE

At June 30, 2019 and 2018, grants and contracts receivable consisted of the following:

	2019	2018
NYC Department of Youth and Community Development	$ 100,000	$ 112,760
NYS Department of Criminal Justice Services	345,685	212,780
NYC Human Resources Administration	61,782	65,085
U.S. Department of Health and Human Services	1,230,329	1,208,409
Medicaid	9,260	-
Safe Horizon, Inc.	19,711	27,593
	1,766,767	1,626,627
Less: Allowance for doubtful accounts	(351,398)	(351,398)
	$ 1,415,369	$ 1,275,229

5. PROPERTY AND EQUIPMENT

At June 30, 2019 and 2018, property and equipment consisted of the following:

	2019	2018
Building and building improvements	$ 14,652,380	$ 14,660,372
Furniture and equipment	544,060	544,060
	15,196,440	15,204,432
Less: Accumulated depreciation	3,613,642	3,247,059
Property and equipment, net	$ 11,582,798	$ 11,957,373

Depreciation amounted to $366,583 and $385,074 for the years ended June 30, 2019 and 2018, respectively.

6. LOANS PAYABLE

The Organization has a note with a financial institution with interest payable monthly at 8 %, due May 2020, secured by certain assets of the Organization. The balance outstanding as of June 30, 2019 and 2018 was $37,530 and $75,427, respectively.

The interest expense on this note was $4,739 and $7,976 for the years ended June 30, 2019 and 2018, respectively.

7. MORTGAGES PAYABLE

The Federal Home Loan Bank - Affordable Housing Program awarded the Organization a mortgage of $490,000. The mortgage has a term of 15 years and does not bear interest. If the premises have been continuously owned, used, maintained and operated in full compliance with certain provisions of the award agreement, the mortgage will be forgiven in full in 2026.

The New York State Homeless Housing and Assistance Corporation (“HHAC”) awarded the Organization a mortgage of $2,373,200. The mortgage does not bear interest and is due and payable on February 21, 2036.

If the premises are used exclusively to house people who are homeless according to the terms of the HHAC contract, the mortgage will be forgiven in full in 2036.

8. RELATED PARTY TRANSACTIONS

The Organization is a member of the Acacia Network and receives fiscal, management, and other support services as well as certain equipment and supplies from affiliates controlled by a common Board of Directors including, Acacia Network, Inc., Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. ("Promesa Inc."), Promesa Administrative Services Organization, Inc. ("PASO"), East Harlem Council for Community Improvement, Inc.("EHCCI"), United Bronx Parents, Inc. ("UBP"), Acacia Network Housing, Inc. ("ANHI"), El Regreso, Inc. ("El Regreso"), La Marqueta Enterpirses, LLC. ("La Marqueta") and Bronx Addiction Integrated Concepts Systems, Inc. ("BASICS").

The Organization is related to The 414-418 East 119th Street Greenhope Housing Development Fund Corporation ("Greenhope Housing") through common board members. Due to the Organization's cash flow issues, the Board of Directors (the "Board") of Greenhope Housing adopted a resolution on November 10, 2015 to sell certain of its real property, with the proceeds intended to be used to pay the Organization's liabilities and alleviate its cash flow constraints. As of June 30, 2019 and 2018, $1,211,619 and $1,213,248 was due to Greenhope Housing, respectively, and was included in due to affiliates.

When necessary, UBP makes advances to the Organization for operating expenses. As of June 30, 2019 and 2018, $1,378,790 and $1,227,855,respectively, was due to UBP and was included in due to affiliates. In addition, as of June 30, 2019 and 2018, there was $58,528 and $15,129, respectively, due to UBP included in accounts payable and accrued expenses.

When necessary, AHNI makes advances to the Organization for operating expenses. As of each of the years ended June 30, 2019 and 2018, $250,000 was due to AHNI and was included in due to affiliates.

BASICS, Promesa, Inc and UBP share direct program staff services with the Organization. PASO charges the Organization for administrative management services (executive office, human resources, information technology, legal, facilities management, fiscal, etc.). Each bills the Organization for these services monthly. Total contracted services charged to the Organization by these related entities for the services described amounted to the following for the years ended June 30:

	2019	2018
BASICS	$ 36,095	$ 11,818
PASO	$ 308,522	$ 191,000
Promesa Inc.	$ 37,327	$ 6,413
UBP	$ 53,597	$ 50,000

Amounts outstanding and payable to these entities included in accounts payable and accrued expenses amounted to the following as of June 30,:

	2019	2018
BASICS	$ 76,459	$ 46,863
PASO	$ 410,314	$ 191,382
Promesa Inc.	$ 56,137	$ 24,959
UBP	$ 58,527	$ 15,129

The Organization purchases supplies and other tangible goods used to run the programs and certain general and administrative activities from La Marqueta. Total amount of tangible goods purchased and charged to various cost categories in the statement of functional expenses for the years ended June 30, 2019 and 2018 was $144,732 and $-0-, respectively. As of June 2019 and 2018, $18,412 and $-0-, respectively, was due to La Marqueta and was included in accounts payable and accrued expenses.

The Organization allocates the cost of services provided by certain direct program staff for the benefit of El Regreso, Promesa Inc, and EHCCI. The Organization bills each related entity for these services upon analysis of the employees time and effort reporting. Total amount of services charged to these entities amounted to the following for the years ended June 30,:

	2019	2018
El Regreso	$ 87,435	$ 10,400
EHCCI	$ 5,116	$ 2,578
Promesa Inc.	$ 38,872	$ 10,672

Amounts due from these entities included in due from affiliates amounted to the following as of June 30,:

	2019	2018
El Regreso	$ 44,241	$ 15,317
EHCCI	4,805	2,578
Promesa Inc.	26,921	10,720
	$ 75,967	$ 28,615

9. RETIREMENT PLAN

The Organization sponsors a 403(b) defined contribution retirement plan. The plan covers full-time and part-time employees who are at least 21 years of age. Under the terms of the plan, contributions are made under Section 403(b) of the Internal Revenue Code and are invested at the discretion of the plan participant in an investment vehicle comprised of various funds. The Organization can elect to contribute 3 % of gross salaries for qualified employees to the plan. No discretionary contribution was made for the years ended June 30, 2019 and 2018.

10. CAPITAL ADVANCES

The Organization entered into agreements with the Office of Alcoholism and Substance Abuse Services ("OASAS"), the New York City Council, the Department of Homeless Housing and Assistance Corporation ("HHAC") and the Federal Home Loan Bank of New York for the construction of a residential and outpatient facility in which the Organization provides housing and supportive services for approximately 70 women. The building is located at 433-39 East 119th Street, New York, NY 10035.

OASAS awarded a capital advance of $10,810,000. The New York City Council awarded a capital advance of $1,390,000. The Organization utilized the award and the construction was completed during 2011.The awards have a term of 25 years and bear no interest. In accordance with the provisions of the agreements, no prorated principal payment is required over 25 years, and the principal will be forgiven in full after 25 years, if the building is used for purpose specified by the agreements and no occurrence of substantial violations of the agreements. At that time, the Organization will own the building free of restrictions. In the event the Organization does not meet its obligations as outlined in these agreements, the capital advances shall become due and the building will be subject to forfeiture.

All payments received under these contracts had been recorded as capital advances previously. The Organization had gone through financial difficulties in the past few years and was in technical default under the agreements. However, on December 5, 2016, OASAS issued a waiver of prior defaults. Management of the Organization believes that the building is being used for the specified purposes and believes it will fully fulfill its obligations, and has reclassified the capital advances as temporarily restricted net assets. The Organization releases from temporarily restricted net assets a pro-rata amount over the remaining compliance period, which was 248 months, as of July 1, 2015. The Organization will reclassify to unrestricted net asset approximately $583,485 annually.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purpose for future periods at June 30:

	2019	2018
OASAS	$ 8,718,388	$ 9,241,491
NYC Council	1,006,357	1,066,739
Endowment	78,394	78,394
	$ 9,803,139	$ 10,386,624

Released from net assets with donor restrictions for the year ended June 30:

	2019	2018
OASAS	$ 523,103	$ 523,103
NYC Council	60,382	60,382
	$ 583,485	$ 583,485

General

The Organization’s net assets with donor restrictions consist of individual endowment funds, permanently restricted by donors, established to support activities of the Organization. As required by accounting principles generally accepted in the United States of America (“GAAP”), net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has adopted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). NYPMIFA moves away from the “historic dollar value” standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The Organization is governed by the NYPMIFA spending policy, which establishes a maximum spending limit of 7 %. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Return Objectives, Strategies Employed and Spending Policy

The objective of the Organization is to protect the principal endowment funds at the original amount designated by the donor while generating income for the activities of the Organization. The investment policy to achieve this objective is to invest in mutual funds. Investment income in relation to the endowment funds is recorded as unrestricted, since it is spent in the year that it is earned.

Funds with Deficiencies

The Organization obtained permission from the donor to borrow from the endowment to provide the cash flow for the Organization's general operations. The amount borrowed was $78,394 and no repayment date has been scheduled. As of June 30, 2019 and 2018, the endowment fund does not have a deficiency.

Endowment Net Asset Composition by Type of Fund

As of each of the years ended June 30, 2019 and 2018, the endowment net asset composition of $78,394, consists of permanently restricted donor-restricted funds. There were no changes in endowment net assets for the years ended June 30, 2019 and 2018.

12. CONTINGENCIES

Government-supported programs are subject to audit by the applicable granting agencies. The possible disallowances by the granting agencies of any items charged to the program cannot be determined until such time when the audits occur. Therefore, no provision for any potential disallowances that may result from such audits has been made in the accompanying consolidated financial statements. Management is of the opinion that disallowances, if any, will not be material to the consolidated financial statements.

The Organization has advances from OASAS and the NYC Council which contain conditions as set forth in the Grant agreement for a term of 25 years, which entitles OASAS and NYC Council possession of the building in the event of default (see Note 10). At June 30, 2019 and 2018, the amount of the advances from OASAS and NYC Council subject to condition were $9,724,745 and $10,308,230, respectively, (see Note 10). In the event the Organization does not meet the requirements as outlined in the agreement, capital advances will become due and the building subject to forfeiture. Management believes that the building is currently being used for its specified purposes and therefore has not reflected a liability in the consolidated statements of financial position.

13. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the consolidated statement of financial position date, through the date of January 28, 2020, the date the consolidated financial statements were available for release. Based upon this evaluation, the Organization has determined that no subsequent events have occurred, which require disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

Greenhope Services for Women, Inc. and Subsidiary
Consolidated Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

	CFDA Number	Pass-through Entity Identifying Number	Awards to Subrecipients	Expenditures
U.S. Department of Health and Human Services				
Substance Abuse and Mental Health Services				
Projects of Regional Significance	93.243	5H79TI024391-05 REVISED	$ -	$ 62,343
Pass-through State of New York Office of Alcoholism				
and Substance Abuse Services - Block Grant for				
Prevention and Treatment of Substance Abuse	93.959	C004301	-	1,667,619
			$ -	$ 1,729,962

See Independent Auditor's Report.
See accompanying Notes to Schedule of Expenditures of Federal Awards.

1. GENERAL INFORMATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) presents the activities in all federal awards of Greenhope Services for Women, Inc and Subsidiary (“Greenhope”). All financial assistance received directly from federal agencies as well as financial assistance passed through other governmental agencies or nonprofit organizations are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the accrual basis of accounting. The amounts reported in the Schedule as expenditures may differ from certain financial reports submitted to federal funding agencies due to those reports being submitted on either cash or a modified cash basis of accounting.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal expenditures are reported on the statement of functional expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the Schedule due to program expenditures exceeding grant or contract budget limitations or agency matching or in-kind contributions which are not included as federal awards.

4. BASIS OF PRESENTATION

The accompanying Schedule includes the federal awards of Greenhope under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Greenhope, it is not intended and does not present the financial position, changes in net assets, or cash flows of Greenhope.

5. INDIRECT COST RATE

Greenhope does have a federally negotiated indirect cost rate and has not elected to use the 10 % de minimus cost rate as covered in section 200.414 in the Uniform Guidance.

6. SUBRECIPIENTS

Greenhope provided no federal awards to sub recipients for the year ended June 30, 2019

INDEPENDENT AUDITOR'S 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,
Greenhope Services for Women, Inc:

We have audited, 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, the consolidated financial statements of Greenhope Services for Women, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and changes in net assets (deficit), functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 entity's consolidated 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from 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 consolidated 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*.

withum

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Withum Smith+Brown, PC

January 28, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors,
Greenhope Services for Women, Inc:

Report on Compliance for Each Major Federal Program

We have audited Greenhope Services for Women, Inc. and Subsidiary's (the "Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

withum

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Withum Smith+Brown, PC

January 28, 2020

Greenhope Services for Women, Inc. and Subsidiary
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2019

Section 1 – Summary of Auditor's Results

Financial Statements	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements?	No
Federal Awards	
Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number	Name of Federal Programs
93.959	Block Grant for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section 2 – Financial Statement Findings

None noted.

Section 3 - Major Federal Awards Findings and Questioned Costs

None noted.

Greenhope Services for Women, Inc. and Subsidiary
Schedule of Prior Year's Audit Findings and Questioned Costs
Year Ended June 30, 2019

None noted.