

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

COMMUNITY LODGINGS, INC.

June 30, 2020
(with comparative totals for June 30, 2019)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Lodgings, Inc.

We have audited the accompanying financial statements of Community Lodgings, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows and functional expenses 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 entity'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 entity's internal control. Accordingly, we not express such an 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 provides reasonable basis for our opinion.

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of Community Lodgings, Inc. as of June 30, 2020, and the changes in its net assets and its functional expenses and cash flows for the year then ended in accordance with accounting standards generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Community Lodgings, Inc.'s June 30, 2019 financial statements, and our report dated May 28, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

April 29, 2021

Douglas Corey & Associates, P.C.

Community Lodgings, Inc.
Statements of Financial Position
June 30, 2020 and 2019

(See Independent Auditor's Report and notes to financial statements)

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents		
Cash - operating	\$ 312,057	\$ 98,940
Cash - escrows	34,557	29,993
	<u>346,614</u>	<u>128,933</u>
Grants and pledges receivable	45,892	25,300
Other receivables	581	4,581
Prepaid expenses	3,109	13,929
Total Current Assets	<u>396,196</u>	<u>172,743</u>
Property and Equipment	4,907,029	4,852,623
Less accumulated depreciation and amortization	<u>(3,186,793)</u>	<u>(3,048,282)</u>
	1,720,236	1,804,341
Work in process	-	4,854
	<u>1,720,236</u>	<u>1,809,195</u>
Other Assets		
Reserve for property replacements	58,755	68,401
Escrow held through loan account	9,050	26,730
Deposits	5,342	1,750
	<u>73,147</u>	<u>96,881</u>
	<u>\$ 2,189,579</u>	<u>\$ 2,078,819</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 48,572	\$ 84,019
Current maturities of long-term debt	77,771	75,856
Security deposits	30,493	29,993
	<u>156,836</u>	<u>189,868</u>
Section 754 adjustment, CLI Multifamily LLC	345,298	345,298
Payroll Protection Program loan	115,726	-
Notes payable, net of current maturities	1,513,795	1,590,811
	<u>1,974,819</u>	<u>1,936,109</u>
Net Assets		
Without donor restrictions	(33,907)	(102,458)
With donor restrictions	91,831	55,300
	<u>57,924</u>	<u>(47,158)</u>
	<u>\$ 2,189,579</u>	<u>\$ 2,078,819</u>

Community Lodgings, Inc.
Statement of Activities
For the year ended June 30, 2020
Comparative Totals for 2019

(See Independent Auditor's Report and notes to financial statements)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Revenue and Other Support:				
Special events	\$ 94,952	\$ -	\$ 94,952	\$ 74,616
Contributions/grants	451,580	165,256	616,836	396,187
Program fees	42,460	-	42,460	27,398
Rent and rental related	703,429	-	703,429	667,097
Interest	846	-	846	996
In-kind	148,101	-	148,101	262,829
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>128,725</u>	<u>(128,725)</u>	<u>-</u>	<u>-</u>
	1,570,093	36,531	1,606,624	1,429,123
Expenses:				
Transitional Housing	180,996	-	180,996	151,793
Affordable Housing	567,119	-	567,119	543,438
Family Learning Center - Youth & Adult Education	481,155	-	481,155	601,405
Management and general	99,557	-	99,557	112,195
Fundraising	<u>172,715</u>	<u>-</u>	<u>172,715</u>	<u>191,507</u>
	1,501,542	-	1,501,542	1,600,338
Change in net assets	68,551	36,531	105,082	(171,215)
Net Assets, beginning of year	<u>(102,458)</u>	<u>55,300</u>	<u>(47,158)</u>	<u>124,057</u>
Net Assets, end of year	<u>\$ (33,907)</u>	<u>\$ 91,831</u>	<u>\$ 57,924</u>	<u>\$ (47,158)</u>

Community Lodgings, Inc.
Statement of Functional Expenses
For the year ended June 30, 2020
Comparative Totals for 2019

(See Independent Auditor's Report and notes to financial statements)

	Program Services				Supporting Services			2019 Total Expenses	
	Housing Program		Family Learning Center -		Total Program Services	Mangement and General	Fundraising		Supporting Services
	Transitional	Affordable	Youth & Adult Education	Total Program Services					
Payroll	\$ 49,486	\$ 160,122	\$ 226,735	\$ 436,343	\$ 60,099	\$ 128,830	\$ 188,929	\$ 605,196	
Depreciation	20,399	103,310	14,802	138,511	-	-	-	150,164	
Utilities	9,339	82,354	4,763	96,456	1,783	-	1,783	78,972	
Property taxes	13,683	70,963	-	84,646	-	-	-	75,603	
Rent	-	-	81,594	81,594	-	-	-	48,310	
Maintenance/repair/turnover	9,236	54,179	7,256	70,671	1,204	-	1,204	40,936	
Office expenses/supplies	3,030	10,426	24,756	38,212	7,049	8,960	16,009	53,744	
Employee benefits	4,437	16,982	20,063	41,482	152	4,678	4,830	54,734	
Rent subsidy	52,220	-	-	52,220	-	-	-	52,399	
Client support	-	-	47,288	47,288	-	-	-	55,347	
Insurance	5,307	28,205	4,754	38,266	5,372	2,560	7,932	48,528	
Payroll taxes	3,651	11,866	16,429	31,946	4,108	9,584	13,692	43,931	
Interest	8,675	20,894	-	29,569	-	-	-	31,763	
Equipment	840	3,028	12,772	16,640	14	2,671	2,685	23,799	
Professional fees	211	2,679	-	2,890	10,229	5,991	16,220	58,100	
Tutors/teachers/therapists	-	-	13,400	13,400	-	-	-	130,155	
Fundraising - direct	-	-	-	-	-	7,920	7,920	16,494	
Payroll fees	473	1,538	2,130	4,141	533	1,243	1,776	6,022	
Field trips/events	-	-	2,295	2,295	2,256	108	2,364	7,745	
Travel	9	13	67	89	4,258	170	4,428	7,151	
Gifts to others	-	-	-	-	2,500	-	2,500	-	
Trash	-	-	1,659	1,659	-	-	-	10,685	
Licenses and fees	-	560	392	952	-	-	-	952	
	\$ 180,996	\$ 567,119	\$ 481,155	\$ 1,229,270	\$ 99,557	\$ 172,715	\$ 272,272	\$ 1,501,542	
								\$ 1,600,338	

Community Lodgings, Inc.
Statements of Cash Flows
For the years ended June 30, 2020 and 2019
(See Independent Auditor's Report and notes to financial statements)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 105,082	\$ (171,215)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
In-kind donation of fixed assets	-	-
Depreciation	211,223	77,452
(Increase) decrease in grants and pledges receivable	(20,592)	(10,300)
(Increase) decrease in other receivables	4,000	(911)
(Increase) decrease in prepaid expenses	10,820	1,695
(Increase) decrease in work in process	4,854	-
(Increase) decrease in deposit	(3,592)	-
Increase (decrease) in accounts payable and accrued expenses	(35,447)	(1,418)
Increase (decrease) in prepaid rent	-	(2,348)
Increase (decrease) in security deposits	500	(2,015)
	<u>276,848</u>	<u>(109,060)</u>
Net cash provided (used) by operating activities	276,848	(109,060)
Cash flows from investing activities:		
Expenditures for property and equipment	(54,406)	-
Expenditures for work in process	-	(4,854)
	<u>(54,406)</u>	<u>(4,854)</u>
Net cash provided (used) by investing activities	(54,406)	(4,854)
Cash flows from financing activities:		
Net distributions from (contributions to) reserves and escrows	27,326	(46,369)
Borrowing on long-term debt	127,034	226,245
Payment on long-term debt	(76,115)	(70,916)
	<u>78,245</u>	<u>108,960</u>
Net cash provided (used) by financing activities	78,245	108,960
Net increase (decrease) in cash and cash equivalents	300,687	(4,954)
Cash, beginning of year	<u>128,933</u>	<u>60,165</u>
Cash, end of year	<u>\$ 429,620</u>	<u>\$ 55,211</u>
Cash paid during the year for:		
Income taxes	\$ -	\$ -
Interest expense	\$ 23,516	\$ 24,472
	<u> </u>	<u> </u>
Summary of non-cash operating transactions:		
In-kind contributions of goods/supplies	\$ 59,251	\$ 67,445
In-kind contributions of professional fees	-	143,445
In-kind contribution of rent/utilities	88,850	51,939
Supplies/professional fees/rent	(148,101)	(262,829)
Net non-cash operating transactions	<u>\$ -</u>	<u>\$ -</u>

Community Lodgings, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(See Independent Auditor's Report)

Note A - Nature of Organization

Community Lodgings, Inc. (CLI) is a non-profit corporation established in 1987 to preserve affordable housing, provide transitional housing for the homeless and help families become self sufficient through counseling and supportive services programs.

CLI is based in Alexandria, Virginia and maintains several programs to achieve its goals. CLI's programs are as follows:

The *Housing Program* consists of transitional and affordable housing units provided to homeless and low-income families. The housing program includes 45 apartments to provide below market rental rates to residents in the City of Alexandria. During the years ended June 30, 2020 and 2019, 4-6 apartments were designated for housing homeless families coming from homeless shelters in Alexandria. These families pay 30% of their income for a program fee to CLI. This is the transitional program and is a two-year program designed to provide education, counseling, job placement, financial and budget mentoring to stabilize the families so they will be able to move into their own housing when they leave the program.

The Family Learning Center – Youth & Adult Education Program provides educational programs for adults, youth and families living in the neighborhood and in our transitional housing apartments. The youth education program is highly academic, mirroring the curriculums being presented in the local schools. It is designed to create the atmosphere of success for these low income, minority and homeless children and to prevent them from becoming homeless in the future. The adult education component focuses on teaching English. In addition, the learning center is open for walk-in assistance for local families. This would include, translating, job/internet search, resume writing, job applications, making phone calls and helping with school information/forms. CLI runs three learning centers in the community.

Community Lodgings, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies

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

1. Method of Accounting

CLI's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Consequently, revenues are recognized when earned and expenses are recognized when incurred.

2. Financial Statement Presentation

Under U.S. generally accepted accounting principles, CLI is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions represent resources that are not subject to donor-imposed restrictions and are available for operations at management's discretion.

Net Assets With Donor Restrictions represent resources restricted by the donor as to purpose or by the passage of time.

3. Revenue

CLI receives grants and gifts from various sources, including governmental agencies, foundations, charitable organizations, and individuals. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases that net asset class.

CLI receives rent from their residents and program fees from their transitional housing clients. Residents enter into leases that are generally for periods of one year.

4. Recognition of Contributions with Donor Restrictions

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restriction expires, at which time it is reclassified to net assets without donor restrictions.

Community Lodgings, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies, continued

5. Grants and Pledges Receivable

Grants and pledges receivable consists of amounts due from pledges or from reimbursable grants for costs incurred during the years ended June 30, 2020 and June 30, 2019. The amounts are collectible within one year. CLI considers the amounts collectible and, therefore, has not recorded an allowance for doubtful accounts.

6. Buildings, Building Improvements, and Property

Buildings, building improvements and property are recorded at cost at the date of acquisition. Donations of property and equipment are recorded as support at their estimated fair value at the date of the gift. The assets are depreciated on a straight-line basis over their estimated useful lives.

7. Income Taxes

CLI is exempt from income taxes on all activities directly related to its exempt purpose under the Internal Revenue Service Code Section 501(c)(3). CLI is liable for income taxes on unrelated business income. There was no taxable net unrelated business income for the years ended June 30, 2020 and 2019. Accordingly, no provision for income taxes has been made in these financial statements.

The Organization evaluated its tax positions and determined it has no uncertain tax positions as of June 30, 2020 or June 30, 2019. The Organization's 2016 through 2019 tax years are open for examination by federal taxing authorities.

8. Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of CLI.

9. Cash and cash equivalents

For purposes of the statement of cash flows, the CLI considers all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Community Lodgings, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies, continued

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note C – Date of Management's Review

In preparing the financial statements, the CLI has evaluated events and transactions for potential recognition or disclosure through April 29, 2021, the date that the financial statements were available to be issued.

Note D—Liquidity and Availability of Financial Assets

CLI maintains a liquid cash balance in a checking account in an amount necessary to meet its anticipated operating expenditures for the first month of the next fiscal year.

CLI's financial assets available for general expenditures through June 30, 2021 are as follows:

Financial assets:

Cash and cash equivalents available for	
General expenditures within one year	<u>\$ 312,057</u>

Community Lodgings, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(See Independent Auditor's Report)

Note E – Fixed Assets

Building, building improvements, and property:

	June 30, 2020	June 30, 2019
Apartment dwellings	\$1,355,233	\$1,355,233
Apartment improvements	2,582,923	2,582,923
Family Learning Center expansion	440,035	440,035
Family Learning Center equipment	13,901	13,901
Equipment, furniture and software	124,221	124,221
Van	54,406	-
Land	<u>336,310</u>	<u>336,310</u>
	4,907,029	4,852,623
Accumulated depreciation	<u>(3,186,793)</u>	<u>(3,048,282)</u>
Net Book Value	<u>\$1,720,236</u>	<u>\$1,804,341</u>

Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$138,511 and \$150,164, respectively.

Note F – In-kind Contributions

CLI received gifts in kind of goods and services and rent valued at \$148,101 for the year ended June 30, 2020. CLI received gifts in kind of goods and services and rent valued at \$262,829 for the year ended June 30, 2019. The value of the goods and services have been recorded as in-kind contributions and expensed based on the contribution to the program supported.

Many volunteers have contributed numerous hours to support CLI's programs that do not meet the requirements to be recorded as revenue and expense.

Community Lodgings, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(See Independent Auditor's Report)

Note G – Long-term Debt

CLI financed the acquisition and rehabilitation of its properties as follows:

	June 30, 2020	June 30, 2019
<p>Virginia Housing Partnership – Note dated September 1, 1992 with interest only due for the first six months. Note bears interest at 2% and is payable in monthly installments of \$1,297.55 through August 1, 2021. The note is secured by a deed of trust on 612 Notabene Drive.</p>	\$ 24,247	\$ 39,171
<p>City of Alexandria – Note is dated January 2009. Note accrues interest at 2% and is due upon disposition of 3912 Elbert Avenue. The note is secured by a promissory note to the City from CLI and is for improvements at 3912 Elbert Avenue.</p>	\$ 53,572	\$ 52,558
<p>City of Alexandria – Note is dated August 2012. Note bears interest at 2% and is due upon disposition of 612 Notabene Drive. The note is secured by a deed of trust on 612 Notabene Drive.</p>	\$ 344,532	\$ 344,790
<p>City of Alexandria – Advance for gap financing request of \$335,000. The loan bears no interest. The note is secured by a deed of trust on 607 Notabene Drive.</p>	\$ 300,000	\$ 300,000

Community Lodgings, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(See Independent Auditor's Report)

Note G – Long-term Debt, continued

Virginia Housing Partnership – Note dated August 22, 2018. Note bears interest at 1.95% and is payable in monthly installments of \$2,949.97 through September 2043. The note is secured by a deed of trust on 607 Notabene Drive.	\$ 661,313	\$ 683,581
Virginia Housing Partnership – Original note was amended in March 2004. Note bears interest at 3% and is payable in monthly installments of \$3,794.44 through October 2024. The note is secured by a deed of trust on 3912 Elbert Avenue.	<u>\$ 207,902</u>	<u>\$ 246,567</u>
	\$1,591,566	\$1,666,667
Less: Current maturities	<u>(77,771)</u>	<u>(75,856)</u>
Long-term debt	<u>\$1,513,795</u>	<u>\$ 1,590,811</u>

Aggregate maturities of long-term debt subsequent to June 30, 2020, are as follows:

2021	\$77,771
2022	73,249
2023	65,910
2024	67,661
2025	65,643
Thereafter	<u>1,241,332</u>
	<u>\$ 1,591,566</u>

Interest expense on the above loans totaled \$29,569 and \$31,763 for the years ended June 30, 2020 and 2019, respectively.

Community Lodgings, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(See Independent Auditor's Report)

Note H – Retirement Plan

CLI maintains a defined contribution plan covering substantially all full-time employees. Participants are fully vested after one year of service. Under the plan, CLI may, at its discretion, make matching contributions as a percentage of employee contributions. Matching contributions for the year ended June 30, 2020 and June 30, 2019 totaled \$5,802 and \$6,678, respectively.

Note I – Net Assets

Net assets with donor restrictions are available for the following purposes:

	June 30, 2020	June 30, 2019
Donation for asset purchase	\$ 28,439	\$ 30,000
Grocery card program management	10,000	-
Community grants	7,500	-
Grants and pledges receivable	<u>45,892</u>	<u>25,300</u>
	<u>\$91,831</u>	<u>\$ 55,300</u>

Note J – Major Donors

During the year ended June 30, 2020, CLI received approximately 44% of support from rental revenue.

During the year ended June 30, 2019, CLI received approximately 42% of support from rental revenue and 17% of support from in-kind contributions.

Note K – Program Fees

Transitional housing clients pay CLI a program fee in lieu of rent. Program fees paid to CLI for the years ended June 30, 2020 and 2019 totaled \$42,460 and \$27,398, respectively.

Community Lodgings, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(See Independent Auditor's Report)

Note L – Rental Income

Gross potential rent for the year ended June 30, 2020 totaled \$691,423. Rental income of \$639,203 excludes rent subsidies paid by CLI for transitional clients. CLI subsidizes a portion of the rent for transitional clients. The subsidy paid by CLI for the year ended June 30, 2020 totaled \$52,220. Gross potential rent for the year ended June 30, 2019 totaled \$659,612. Rental income of \$607,213 excludes rent subsidies paid by CLI for transitional clients. CLI subsidizes a portion of the rent for transitional clients. The subsidy paid by CLI for the year ended June 30, 2019 totaled \$52,399.

Note M – COVID-19

Covid-19

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which may adversely affect CLI. Through the date of these financial statements CLI's operations and income have not been materially adversely affected, however, management is unable to quantify the potential effects of the pandemic on future financial statements.

Payroll Protection Loan

In May 2020, CLI obtained a \$115,726 Paycheck Protection Program (PPP) loan issued as part of the CARES Act. The PPP loan is for small businesses and non-profit corporations that were affected by the COVID-19 pandemic. The loan bears interest at 1% with a repayment term of 2 years beginning approximately 17 months after the loan date. The loan is forgivable by the federal government if certain expenditure criteria are met by the borrower. Since the loan has not been forgiven as of the date of these financial statements, it is reflected as a long-term liability in the accompanying financial statements. CLI expects the loan to be fully forgiven as they have met the criteria.

Note N – Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Note O – Prior Period Adjustment

The June 30, 2019 financial statements did not reflect depreciation on the Elbert Avenue property totaling \$72,712. In addition, interest had not been accrued on certain loans. The prior period adjustment for accrued interest totaled \$10,294, with a \$1,010 adjustment to June 30, 2019. The depreciation and interest has been adjusted and is reflected in the accompanying financial statements.

Community Lodgings, Inc.
Notes to Financial Statements
June 30, 2020 and 2019
(See Independent Auditor's Report)

Note P – Subsequent Event

During the year ended June 30, 2021, CLI obtained a loan for \$50,000 with City of Alexandria. The loan is for consulting fees related to potential redevelopment of the Elbert Avenue property. The total loan is \$50,000. The loan will either be forgiven or incorporated into a subsequent loan from the City of Alexandria.