AUDITED
FINANCIAL STATEMENTS

HOMESPACE CORPORATION

DECEMBER 31, 2022

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Homespace Corporation

Opinion
We have audited the financial statements of Homespace Corporation (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter
As discussed in Note 1 to the financial statements, as of January 1, 2022, the Organization adopted the new accounting guidance ASC 842, Leases. Our opinion is not modified with respect to this matter.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Freed Maxick CPAs, P.C.

Buffalo, New York
June 29, 2023

HOMESPACE CORPORATION

STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS	2022	2021
Current assets:		
Cash and cash equivalents	$ 422,446	$ 520,057
Accounts receivable, net	1,055,811	860,170
Prepaid expense	29,140	20,961
Other current assets	1,891	1,891
Total current assets	1,509,288	1,403,079
Replacement reserve	14,632	14,451
Investments	578,880	666,744
Operating lease right-of-use assets, net	20,261	-
Land, building and equipment, net	1,360,308	1,375,757
Total assets	$ 3,483,369	$ 3,460,031
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable - trade	$ 37,672	$ 37,834
Accrued expenses	123,777	125,398
Current operating lease liabilities	6,771	-
Refundable advance	925	13,648
Total current liabilities	169,145	176,880
Operating lease liabilities	13,490	-
Total liabilities	182,635	176,880
Net assets:		
Without donor restrictions	3,175,947	3,220,401
With donor restrictions	124,787	62,750
Total net assets	3,300,734	3,283,151
Total liabilities and net assets	$ 3,483,369	$ 3,460,031

See accompanying notes.

HOMESPACE CORPORATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31,

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:						
Contributions and grants	$ 48,204	$ 185,134	$ 233,338	$ 105,607	$ 81,791	$ 187,398
Resident shelter allowance, net bad debt	2,732,101	-	2,732,101	2,573,165	-	2,573,165
Article 29-I health facility services revenue, net bad debt	436,171	-	436,171	214,779	-	214,779
CFTSS revenue, net bad debt	127,072	-	127,072	85,366	-	85,366
Net assets released from restrictions	123,097	(123,097)	-	88,341	(88,341)	-
Total public support and revenue	3,466,645	62,037	3,528,682	3,067,258	(6,550)	3,060,708
Expenses:						
Program services	3,168,091	-	3,168,091	3,124,961	-	3,124,961
Management and general	191,375	-	191,375	165,362	-	165,362
Fundraising	64,195	-	64,195	30,163	-	30,163
Total expenses	3,423,661	-	3,423,661	3,320,486	-	3,320,486
Income (loss) from operations	42,984	62,037	105,021	(253,228)	(6,550)	(259,778)
Other income (expense):						
Net investment (loss) gain	(87,677)	-	(87,677)	53,447	-	53,447
Other income	239	-	239	14,971	-	14,971
Total other income (expense)	(87,438)	-	(87,438)	68,418	-	68,418
Change in net assets	(44,454)	62,037	17,583	(184,810)	(6,550)	(191,360)
Net assets - beginning of year	3,220,401	62,750	3,283,151	3,405,211	69,300	3,474,511
Net assets - end of year	$ 3,175,947	$ 124,787	$ 3,300,734	$ 3,220,401	$ 62,750	$ 3,283,151

See accompanying notes.

HOMESPACE CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022
(with summarized information for the year ended December 31, 2021)

	Program Services							Supporting Services		Total All Services	
	Homespace	Second Chance Home	Next Step	Children and Family Treatment and Support Services	Article 29-I Health Facility Services	Independent Living Program	Total Program Services	Management and General	Fundraising	2022	2021
Salaries expense	$ 294,808	$ 731,880	$ 604,642	$ 70,533	$ 46,705	$ 49,799	$ 1,798,367	$ 133,092	$ 50,300	**$ 1,981,759**	$ 1,853,758
Program supplies	60,486	161,294	161,294	12,097	8,065	29,092	432,328	-	-	**432,328**	466,026
Payroll taxes and employee benefits	50,711	125,895	104,008	12,133	8,034	8,566	309,347	22,894	8,652	**340,893**	362,698
Depreciation - building and improvements	57,689	26,735	7,451	-	-	-	91,875	-	-	**91,875**	88,606
Occupancy	44,001	22,450	21,552	898	898	-	89,799	-	-	**89,799**	91,268
Repair and maintenance	43,848	22,371	21,476	895	895	-	89,485	-	-	**89,485**	84,037
Utilities	36,773	18,762	18,011	750	750	-	75,046	-	-	**75,046**	81,051
Office rent	32,910	16,791	16,118	672	672	-	67,163	-	-	**67,163**	61,006
Professional fees	11,459	12,199	11,459	1,848	-	1,500	38,465	16,485	-	**54,950**	29,455
Insurance	12,577	13,925	13,925	2,246	2,246	-	44,919	7,927	-	**52,846**	60,483
Office	7,503	10,299	9,904	1,022	1,022	1,383	31,133	5,254	763	**37,150**	30,416
Depreciation - furniture, equipment and vehicles	11,485	19,048	591	-	-	-	31,124	-	-	**31,124**	34,184
Printing and publicity	1,660	7,470	5,810	830	830	-	16,600	1,107	4,426	**22,133**	11,263
Telephone	4,964	5,496	5,496	887	887	1,200	18,930	2,103	-	**21,033**	20,662
Conference and training	1,642	7,395	5,752	822	822	206	16,639	1,849	-	**18,488**	14,046
Equipment rent	5,352	2,731	2,621	109	109	-	10,922	-	-	**10,922**	11,945
Dues, licenses and subscriptions	823	1,661	2,483	274	274	-	5,515	610	-	**6,125**	15,906
Postage	131	135	131	-	-	37	434	54	54	**542**	1,123
Special events	-	-	-	-	-	-	-	-	-	**-**	2,553
Total expenses	$ 678,822	$ 1,206,537	$ 1,012,724	$ 106,016	$ 72,209	$ 91,783	$ 3,168,091	$ 191,375	$ 64,195	**$3,423,661**	$3,320,486

See accompanying notes.

HOMESPACE CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program Services							Supporting Services		Total All Services
	Homespace	Second Chance Home	Next Step	Children and Family Treatment and Support Services	Article 29-I Health Facility Services	Independent Living Program	Total Program Services	Management and General	Fundraising	2021
Salaries expense	$ 387,343	$ 685,515	$ 471,821	$ 75,332	$ 49,597	$ 48,080	$ 1,717,688	$ 115,540	$ 20,530	**$ 1,853,758**
Program supplies	171,439	128,579	128,579	-	-	37,429	466,026	-	-	**466,026**
Payroll taxes and employee benefits	75,786	134,125	92,314	14,739	9,704	9,407	336,075	22,606	4,017	**362,698**
Occupancy	44,721	22,817	21,905	913	913	-	91,268	-	-	**91,268**
Depreciation - building and improvements	54,845	27,577	6,184	-	-	-	88,606	-	-	**88,606**
Repair and maintenance	41,179	21,009	20,169	840	840	-	84,037	-	-	**84,037**
Utilities	39,714	20,263	19,452	811	811	-	81,051	-	-	**81,051**
Office rent	29,893	15,252	14,642	610	610	-	61,006	-	-	**61,006**
Insurance	14,395	15,937	15,937	2,571	2,571	-	51,411	9,072	-	**60,483**
Depreciation - furniture, equipment and vehicles	11,102	22,491	591	-	-	-	34,184	-	-	**34,184**
Office	5,841	10,631	6,683	1,034	1,034	850	26,073	3,645	698	**30,416**
Professional fees	5,927	6,309	5,927	956	-	1,500	20,619	8,836	-	**29,455**
Telephone	4,870	5,393	5,393	870	870	1,200	18,596	2,066	-	**20,662**
Dues, licenses and subscriptions	2,404	4,400	6,219	683	683	-	14,389	1,517	-	**15,906**
Conference and training	1,262	5,680	4,417	631	631	20	12,641	1,405	-	**14,046**
Equipment rent	5,853	2,986	2,867	119	119	-	11,945	-	-	**11,945**
Printing and publicity	845	3,801	2,957	422	422	-	8,447	563	2,253	**11,263**
Special events	-	-	-	-	-	-	-	-	2,553	**2,553**
Postage	297	306	296	-	-	-	899	112	112	**1,123**
Total expenses	$ 897,716	$ 1,133,071	$ 826,352	$ 100,531	$ 68,805	$ 98,486	$ 3,124,961	$ 165,362	$ 30,163	**$ 3,320,486**

See accompanying notes.

HOMESPACE CORPORATION

STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	2022	2021
Cash flows from operating activities:		
Change in net assets	**$ 17,583**	$ (191,360)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	**122,999**	122,790
Increase in allowance for doubtful accounts	**87,378**	-
Net investment loss (gain)	**87,677**	(53,447)
(Decrease) increase in assets:		
Accounts receivable	**(283,019)**	(172,460)
Prepaid expense	**(8,179)**	6,856
Other current assets	**-**	650
Operating lease right-of-use assets	**6,661**	-
Increase (decrease) in liabilities:		
Accounts payable - trade	**(162)**	(2,065)
Accrued expenses	**(1,621)**	19,101
Operating lease liabilities	**(6,661)**	-
Refundable advance	**(12,723)**	13,648
Net cash provided (used) by operating activities	**9,933**	(256,287)
Cash flows from investing activities:		
Purchases of land, building and equipment	**(107,550)**	(80,559)
Proceeds from investments	**187**	5
Net cash used by investing activities	**(107,363)**	(80,554)
Net decrease in cash, cash equivalents and restricted cash	**(97,430)**	(336,841)
Cash, cash equivalents and restricted cash - beginning of year	**534,508**	871,349
Cash, cash equivalents and restricted cash - end of year	**$ 437,078**	$ 534,508

Total cash, cash equivalents and restricted cash reconciliation:
The following table provides a reconciliation of cash, cash equivalents and restricted cash to the amounts reported within the statements of financial position:

	2022	2021
Cash and cash equivalents	**$ 422,446**	$ 520,057
Replacement reserve	**14,632**	14,451
Total cash, cash equivalents and restricted cash	**$ 437,078**	$ 534,508

Supplemental disclosure of cash flow information:

Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 7,044**	$ -

See accompanying notes.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Homespace Corporation (the Organization) was incorporated October 16, 1989 in New York State and is a not-for-profit corporation engaged in providing a safe and nurturing transitional living environment with supportive services for single parent families and individuals that prepares them to achieve and maintain their independence. The Organization is recognized as accredited for its Next Step Program by the Council on Accreditation (COA).

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Display of Net Assets by Class: The net assets of the Organization are reported in each of the following two classes: (a) net assets without donor restrictions, and (b) net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as net assets without donor restrictions.

Cash and Cash Equivalents: The Organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to concentration of credit risk consist of cash accounts in financial institutions. Although the cash accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institutions. Management reviews the financial viability of these institutions on a periodic basis.

Accounts Receivable: Accounts receivable are stated at cost. The Organization has not experienced any significant losses on such accounts and believes it is not exposed to any significant credit risk on accounts receivable. On a periodic basis, the Organization evaluates its allowance for uncollectible accounts, based upon history of past write-offs and collections. Management has determined that as of December 31, 2022, an allowance of $87,378 was appropriate. Bad debts, when incurred, are charged against the allowance. Management has determined that no allowance for doubtful accounts was necessary as of December 31, 2021.

Land, Building and Equipment: The Organization follows the practice of recording land, building and equipment at cost, or if donated, at fair value at the date of donation. Ordinary repairs and maintenance are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 5 to 40 years. Depreciation expense for the year ended December 31, 2022 was $122,999 ($122,790 - 2021).

Impairment of Long Lived Assets: The Organization reviews long-lived assets to be held and used by the Organization for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In determining whether there is an impairment of long-lived assets, the Organization compares the sum of the expected future net cash flows (undiscounted and without interest charges) to the carrying amount of the assets. As of December 31, 2022 and 2021, no impairment has been recognized.

In-Kind Contributions: Donated supplies, clothing, equipment and other are recorded at their fair value when received and recorded as contribution revenue and capitalized or recorded as an offsetting expense where applicable.

Contributions and Grants: The Organization recognizes all contributions and grants as income in the period received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases that net asset class. When a restriction is fulfilled, 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.

Donor-restricted support for a specific purpose is reported as an increase in net assets with donor restrictions. Upon satisfaction of the restriction, amounts are shown as net assets released from restriction in the statement of activities. As of December 31, 2022, there were $124,787 net assets with donor restrictions ($62,750 - 2021).

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Shelter Allowance: The Organization has contracts in place with various counties in Upstate New York in order to provide transitional living services. The Organization recognizes revenue based on occupancy as the Organization receives a daily rate which is determined annually by the New York State Office of Children and Family Services.

CFTSS Revenue: The Organization provides supporting services for residents through the Children and Family Treatment and Support Services in New York State Medicaid Program. The Organization recognizes revenue as services are performed based on rates set by the New York State Interagency Team consisting of the Department of Health, Office of Mental Health, Office of Alcoholism and Substance Abuse Services, and Office of Children and Family Services.

Article 29-I Health Facility Services: The Organization became an Article 29-I health facility effective July 1, 2021. The Organization became a licensed health care facility provider through New York State Public Health Law Article 29-I, which provides for the provision of Core Limited Health-Related Services (CLHRS) and Other Limited Health-Related Services (OLHRS), and enter into agreements with Medicaid Managed Care Plans for the provision of these services to eligible enrolled children and youth.

Functional Allocation of Expenses: The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied, as follows: salaries expense and payroll taxes and employee benefits are allocated based on estimated time incurred; depreciation, rent, and utilities are allocated on a square footage basis dependent on the programs and supporting activities occupying the space; telephone, insurance, and other various expenses are allocated based on approximate actual usage. Every year the basis on which costs are allocated are evaluated.

Advertising: The Organization expenses all advertising costs when incurred. Advertising expense for the Organization totaled $22,133 for the year ended December 31, 2022 ($11,263 - 2021).

Revenue Recognition: The Organization's revenue consists of revenue from contracts with customers, grant revenue and contribution revenue.

Revenue from Contracts with Customers (Topic 606): The accounting for the types of revenues accounted for pursuant to Topic 606 are as follows:

Resident Shelter Allowance: The Organization provides a transitional living environment with supportive services for single parent families and individuals. For housing services, the Organization receives funds on a per resident, per day basis, based on rates established by the county.

CFTSS Revenue: The Organization provides supporting services for residents through the Children and Family Treatment and Support Services in New York State Medicaid Program. The Organization recognizes revenue in the month the services are performed based on rates set by the New York State Interagency Team consisting of the Department of Health, Office of Mental Health, Office of Alcoholism and Substance Abuse Services, and Office of Children and Family Services.

Article 29-I Health Facility Services: The Organization became a licensed health care facility provider through New York State Public Health Law Article 29-I, which provides for the provision of Core Limited Health-Related Services (CLHRS) and Other Limited Health-Related Services (OLHRS), and enter into agreements with Medicaid Managed Care Plans for the provision of these services to eligible enrolled children and you. The Organization recognizes revenue in the month the youth was in the Organization's care.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For supporting services, the Organization receives funds under agreements with third-party payors (Medicaid and Insurance Payors) on a per resident per service basis, based on rates established by New York State. If amounts received are less than the established billing rates, the difference is accounted for as a reduction of revenue. The Organization determines performance obligations based on the nature of the services provided and revenue is recognized as performance obligations are satisfied.

Revenue from Contributions (Topic 958): The accounting for the types of revenues accounted for pursuant to Topic 958 are as follows:

Grant Revenue: Grant revenue is recorded as revenue when expenditures have been incurred in compliance with the grant requirements. Support received under federal, state, and county grants is recorded as revenue when the related costs of the associated programs are incurred. Grant revenue includes funds received from federal, state and county sources.

Contributions: The Organization recognizes all contributions as income in the period received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction is fulfilled, net assets with donor restrictions are then reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Income Taxes: The Organization is exempt from federal income tax as provided in the regulations set forth in the Section 501(c)(3) of the Internal Revenue Code. The Organization accounts for uncertain tax positions in accordance with U.S. GAAP, which requires the recognition and measurement of uncertain tax positions that the Organization has taken or expects to take in the Organization’s tax return. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

The Organization files its Return of Organization Exempt from Income Tax in the U.S federal jurisdiction and its Annual Filing of Charitable Organizations in New York State.

Accounting Estimates: The process of preparing financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Accordingly, actual results could differ from estimated amounts.

Leases: In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in statement of activities. The Organization adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization’s historical accounting treatment under ASC Topic 840, Leases.

The Organization elected the “package of practical expedients” under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the “hindsight” practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election under available Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free rate borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable that they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for all leases. The non-lease components typically represent additional services transferred to the Entity such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization’s operating leases of approximately $26,922 and $26,922, respectively, at January 1, 2022. The adoption of the new lease standard did not materially impact net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Reclassification: Certain 2021 amounts have been reclassified to conform to 2022 presentation.

Subsequent Events: The Organization evaluated its December 31, 2022 financial statements for subsequent events through the date the financial statements were issued. These financial statements have not been updated for subsequent events occurring after June 29, 2023, which is the date these financial statements were available to be issued.

NOTE 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of December 31, are:

	2022	2021
Current financial assets:		
Cash and cash equivalents	**$ 422,446**	$ 520,057
Accounts receivable, net	**1,055,811**	860,170
Financial assets available to meet general expenditures within one year	**$ 1,478,257**	$ 1,380,227

As part of the Organization’s liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due. The Organization invests cash in excess of daily requirements in an investment account with a broker and its investment portfolio primarily consists of exchange traded funds and mutual funds.

NOTE 3. REPLACEMENT RESERVE

In 2007, as a result of its grant enforcement note with the New York State Homeless Housing and Assistance Corporation (HHAC), a replacement reserve account was created with a $13,784 deposit from HHAC. All withdrawals from the account must be pre-approved by HHAC. Upon the satisfactory completion of all its obligations under the grant enforcement note, HHAC may request the release of all funds that remain on deposit in the account (see Note 6). The balance at December 31, 2022 was $14,632 ($14,451 - 2021). These funds are invested in a money market fund with M&T Bank with interest at .02%.

NOTE 4. LAND, BUILDING AND EQUIPMENT

Land, building and equipment at December 31, is as follows:

	2022	2021
Land	**$ 84,599**	$ 84,599
Building and improvements	**2,548,699**	2,476,749
Furniture and equipment	**361,084**	341,444
Vehicles	**130,689**	130,689
	3,125,071	3,033,481
Less accumulated depreciation	**(1,764,763)**	(1,657,724)
	$ 1,360,308	$ 1,375,757

NOTE 5. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2022 and 2021.

Cash and cash equivalents: Stated at cost, which approximates fair value. Cash and cash equivalents are classified as Level 1 investments.

NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)

Exchange traded funds (ETF's): Valued at the closing price reported on the active market on which the individual securities are traded. Exchange traded funds are classified as Level 1 investments.

Mutual funds: Valued at the daily closing price as reported by the fund. The net asset value (NAV) is the closing price reported on the active market on which the securities are traded. Mutual funds are classified as Level 1 investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2022:

	Assets at Fair Value			
	(Level 1)	(Level 2)	(Level 3)	Total
Cash and cash equivalents	$ 3,616	$ -	$ -	**$ 3,616**
Mutual funds	344,483	-	-	**344,483**
Exchange traded funds	230,781	-	-	**230,781**
Total	$ 578,880	$ -	$ -	**$ 578,880**

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2021:

	Assets at Fair Value			
	(Level 1)	(Level 2)	(Level 3)	Total
Cash and cash equivalents	$ 1,528	$ -	$ -	**$ 1,528**
Mutual funds	272,749	-	-	**272,749**
Exchange traded funds	392,467	-	-	**392,467**
Total	$ 666,744	$ -	$ -	**$ 666,744**

NOTE 6. CONTINGENT LIABILITY

The Organization entered into a grant enforcement note payable with the HHAC, on November 9, 2004, for the construction of a second facility located in Buffalo. The total amount of this note is $901,900, which was previously recognized into revenue, and is secured by the property. The mortgage is for 25 years, at no interest, with no scheduled payments and will be forgiven at the end of the term (October 2030). Under the terms of the grant enforcement note with HHAC, the property must be used for 25 years as housing for persons who would otherwise be homeless. If the Organization does not comply with the terms of the agreement, the amount provided will be considered to be in default and the original amount provided shall be immediately due and payable.

NOTE 7. LEASES

The Organization leases administrative office space under an operating lease agreement that expired August 31, 2022. No formal lease extension has been signed and the agreement is now month-to-month. Rent expense for the year ended December 31, 2022 was $67,163 ($61,006 - 2021).

The Organization leases equipment under operating lease agreements that have initial terms ranging from 2 to 5 years. Some leases include one or more options to renew, generally at the Organization's sole discretion, with renewal terms that can extend the lease term up to 5 years. In addition, certain leases contain termination options, where the rights to terminate are held by either the Organization, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Organization will exercise that option. The Organization's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended December 31, 2022:

Operating lease cost	$	10,922

As determined under FASB ASC Topic 840, total rent expense for operating leases was $11,945 for the year ended December 31, 2021.

Average lease terms and discount rates as of December 31, 2022 are as follows:

Weighted-average remaining lease term:	
Operating leases	3.2 years
Weighted-average discount rate:	
Operating leases	1.63%

The aggregate future lease payments for operating leases as of December 31, 2022 were as follows:

		Operating Leases
2023	$	7,044
2024		6,120
2025		5,760
2026		1,860
Total lease payments		20,784
Less imputed interest		(523)
Present value of lease liabilities	**$**	**20,261**

As determined under FASB ASC Topic 840, the aggregate future minimum lease commitments for all non-cancellable leases were as follows as of December 31, 2021:

		Operating Leases
2022	$	7,044
2023		7,044
2024		6,120
2025		5,760
2026		1,860
Total minimum lease payments	**$**	**27,828**