Project Hospitality, Inc. and Subsidiaries

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2022 and 2021

Project Hospitality, Inc. and Subsidiaries
June 30, 2022 and 2021

Contents

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Independent Auditor's Report

Board of Directors
Project Hospitality, Inc. and Subsidiaries
Staten Island, New York

Opinion

We have audited the consolidated financial statements of Project Hospitality, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Project Hospitality, Inc. and Subsidiaries as of June 30, 2022 and 2021, and the changes in its net assets 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 Consolidated Financial Statements section of our report. We are required to be independent of Project Hospitality, Inc. and Subsidiaries 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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Project Hospitality, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Project Hospitality, Inc. and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Project Hospitality, Inc. and Subsidiaries' 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Project Hospitality, Inc. and Subsidiaries' basic financial statements. The Consolidating Schedule – Statement of Financial Position Information and Consolidating Schedule – Statement of Activities Information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The Consolidating Schedule – Statement of Financial Position Information and Consolidating Schedule – Statement of Activities Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

FORVIS, LLP

New York, New York
February 17, 2023

Project Hospitality, Inc. and Subsidiaries

Consolidated Statements of Financial Position

June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 2,557,326	$ 6,019,572
Investments	2,194,443	2,504,366
Accounts receivable	778,293	398,032
Due from government agencies	12,165,258	11,310,131
Contributions receivable	562,295	471,985
Assets limited as to use	54,146	53,493
Prepaid expenses and other receivables	290,086	433,551
Note receivable	799,740	799,740
Property and equipment, net	9,165,439	8,774,314
Total assets	$ 28,567,026	$ 30,765,184
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 3,499,544	$ 3,694,195
Refundable advances	-	173,777
Long-term debt	1,039,387	4,730,790
Capital advance	3,275,765	3,275,765
Total liabilities	7,814,696	11,874,527
Net Assets		
Without donor restrictions		
Undesignated	17,269,371	15,170,922
Board designated	2,184,129	2,499,374
Total net assets without donor restrictions	19,453,500	17,670,296
With donor restrictions	1,298,830	1,220,361
Total net assets	20,752,330	18,890,657
Total liabilities and net assets	$ 28,567,026	$ 30,765,184

Project Hospitality, Inc. and Subsidiaries

Consolidated Statements of Activities

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support						
Government grants	$ 34,672,987	$ -	$ 34,672,987	$ 30,863,894	$ -	$ 30,863,894
Medicaid and other program fees	5,919,508	-	5,919,508	5,942,756	-	5,942,756
Rental income	1,946,733	-	1,946,733	2,305,630	-	2,305,630
Contributions and grants revenue	468,147	1,688,411	2,156,558	1,432,642	1,801,104	3,233,746
Special events - net of direct costs of $4,455 in 2022	294,406	-	294,406	200,489	-	200,489
Investment return	(246,884)	-	(246,884)	454,363	-	454,363
Contributed nonfinancial assets	601,305	-	601,305	607,385	-	607,385
Gain on forgiveness of loan	3,512,875	-	3,512,875	-	-	-
Other income	472,702	-	472,702	150,482	-	150,482
Net assets released from restrictions	1,609,942	(1,609,942)	-	1,274,153	(1,274,153)	-
Total revenues, gains, and other support	49,251,721	78,469	49,330,190	43,231,794	526,951	43,758,745
Expenses						
Program services						
Support and treatment services	13,042,214	-	13,042,214	10,542,708	-	10,542,708
Re-housing services	12,831,742	-	12,831,742	12,634,124	-	12,634,124
Homeless care and prevention services	16,723,087	-	16,723,087	15,823,097	-	15,823,097
Total program services	42,597,043	-	42,597,043	38,999,929	-	38,999,929
Supporting services						
Management and general	4,428,146	-	4,428,146	4,095,574	-	4,095,574
Fundraising	443,328	-	443,328	400,746	-	400,746
Total supporting services	4,871,474	-	4,871,474	4,496,320	-	4,496,320
Total expenses	47,468,517	-	47,468,517	43,496,249	-	43,496,249
Change in Net Assets	1,783,204	78,469	1,861,673	(264,455)	526,951	262,496
Net Assets, Beginning of Year	17,670,296	1,220,361	18,890,657	17,934,751	693,410	18,628,161
Net Assets, End of Year	$ 19,453,500	$ 1,298,830	$ 20,752,330	$ 17,670,296	$ 1,220,361	$ 18,890,657

Project Hospitality, Inc. and Subsidiaries

Consolidated Statements of Functional Expenses

Years Ended June 30, 2022 and 2021

	2022							
	Program Services				Supporting Services			
	Support and Treatment Services	Re-housing Services	Homeless Care and Prevention Services	Total	Management and General	Fundraising	Total	Total
Salaries	$ 7,343,585	$ 3,277,865	$ 6,231,902	$ 16,853,352	$ 2,310,200	$ 288,345	$ 2,598,545	$ 19,451,897
Payroll taxes and employee benefits	1,911,495	881,988	1,650,921	4,444,404	627,002	76,159	703,161	5,147,565
Total salaries and related expenses	9,255,080	4,159,853	7,882,823	21,297,756	2,937,202	364,504	3,301,706	24,599,462
Client expenses	898,554	6,746,172	3,641,705	11,286,431	10,300	73	10,373	11,296,804
Insurance	51,507	234,937	114,226	400,670	43,888	-	43,888	444,558
Rent	679,198	316,626	401,451	1,397,275	238,495	-	238,495	1,635,770
Auto	152,545	144,813	156,535	453,893	17,028	-	17,028	470,921
Equipment lease and purchase	58,350	63,952	96,301	218,603	64,346	18,265	82,611	301,214
Utilities	76,677	100,181	335,155	512,013	50,919	-	50,919	562,932
Repairs and maintenance	77,768	147,862	537,676	763,306	89,652	-	89,652	852,958
Telephone	169,727	119,732	149,933	439,392	70,016	-	70,016	509,408
Supplies	74,708	68,746	68,153	211,607	83,274	15,109	98,383	309,990
Contract services	140,011	196,724	2,207,701	2,544,436	59,950	315	60,265	2,604,701
Professional fees	1,029,441	65,296	589,811	1,684,548	340,730	22,000	362,730	2,047,278
Printing and postage	28,775	1,211	8,271	38,257	8,110	17,188	25,298	63,555
Community relations	16,647	-	-	16,647	9,572	5,754	15,326	31,973
Staff recruitment	4,329	2,283	4,376	10,988	8,712	-	8,712	19,700
Per diem contractors	114,016	-	28,208	142,224	160,933	-	160,933	303,157
Staff-related expenses	40,526	22,744	30,402	93,672	40,114	120	40,234	133,906
Real estate taxes	6,682	19,716	114,337	140,735	15,764	-	15,764	156,499
Food and entertainment	-	-	-	-	-	4,455	4,455	4,455
Depreciation and amortization	23,039	255,235	260,035	538,309	118,969	-	118,969	657,278
Interest expense	-	-	84,985	84,985	141	-	141	85,126
Miscellaneous	144,634	165,659	11,003	321,296	60,031	-	60,031	381,327
Total expenses	13,042,214	12,831,742	16,723,087	42,597,043	4,428,146	447,783	4,875,929	47,472,972
Less direct costs of special events	-	-	-	-	-	(4,455)	(4,455)	(4,455)
Total expenses reported by function on the consolidated statements of activities	$ 13,042,214	$ 12,831,742	$ 16,723,087	$ 42,597,043	$ 4,428,146	$ 443,328	$ 4,871,474	$ 47,468,517

Project Hospitality, Inc. and Subsidiaries

Consolidated Statements of Functional Expenses (Continued)

Years Ended June 30, 2022 and 2021

	2021							
	Program Services				Supporting Services			
	Support and Treatment Services	Re-housing Services	Homeless Care and Prevention Services	Total	Management and General	Fundraising	Total	Total
Salaries	$ 5,717,136	$ 3,303,350	$ 6,268,206	$ 15,288,692	$ 2,027,811	$ 256,445	$ 2,284,256	$ 17,572,948
Payroll taxes and employee benefits	1,608,675	922,424	1,747,594	4,278,693	574,086	75,663	649,749	4,928,442
Total salaries and related expenses	7,325,811	4,225,774	8,015,800	19,567,385	2,601,897	332,108	2,934,005	22,501,390
Client expenses	474,913	6,673,341	3,387,918	10,536,172	4,285	-	4,285	10,540,457
Insurance	89,480	101,263	147,914	338,657	92,579	1,269	93,848	432,505
Rent	668,516	354,242	434,231	1,456,989	168,332	-	168,332	1,625,321
Auto	152,483	145,598	140,787	438,868	163	-	163	439,031
Equipment lease and purchase	67,947	62,211	85,128	215,286	54,969	-	54,969	270,255
Utilities	68,396	98,892	284,059	451,347	40,648	-	40,648	491,995
Repairs and maintenance	88,229	148,041	479,760	716,030	99,944	-	99,944	815,974
Telephone	161,504	120,227	149,236	430,967	71,552	1,219	72,771	503,738
Supplies	79,107	45,342	98,108	222,557	85,330	5,874	91,204	313,761
Contract services	101,366	177,187	2,048,914	2,327,467	175,485	-	175,485	2,502,952
Professional fees	760,962	46,664	26,572	834,198	254,694	43,613	298,307	1,132,505
Printing and postage	19,058	7,604	14,642	41,304	5,934	9,578	15,512	56,816
Community relations	1,319	-	-	1,319	7,519	5,990	13,509	14,828
Staff recruitment	7,568	2,678	13,203	23,449	703	-	703	24,152
Per diem contractors	211,523	-	63,037	274,560	98,553	-	98,553	373,113
Staff-related expenses	22,499	14,353	24,124	60,976	45,599	175	45,774	106,750
Real estate taxes	6,699	66,053	-	72,752	34,009	5	34,014	106,766
Depreciation and amortization	78,332	298,321	302,336	678,989	25,917	-	25,917	704,906
Interest expense	-	-	95,118	95,118	3,337	-	3,337	98,455
Miscellaneous	156,996	46,333	12,210	215,539	224,125	915	225,040	440,579
Total expenses reported by function on the consolidated statements of activities	$ 10,542,708	$ 12,634,124	$ 15,823,097	$ 38,999,929	$ 4,095,574	$ 400,746	$ 4,496,320	$ 43,496,249

Project Hospitality, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	$ 1,861,673	$ 262,496
Items not requiring (providing) operating cash flows		
Depreciation and amortization	657,278	704,906
Net realized and unrealized (gain) loss on investments	401,489	(339,403)
Gain on forgiveness of loan	(3,512,875)	-
Noncash contributions, net of noncash expense	(138,528)	(128,396)
Contributions restricted for long-lived assets	(200,000)	-
Changes in		
Accounts receivable	(380,261)	126,360
Due from government agencies	(855,127)	195,680
Contributions receivable	(90,310)	(396,985)
Prepaid expenses and other receivables	143,465	(62,369)
Accounts payable and accrued expenses	(241,927)	654,755
Refundable advances	(173,777)	84,202
Net cash provided by (used in) operating activities	(2,528,900)	1,101,246
Investing Activities		
Proceeds from sale of investments	466,136	879,936
Purchase of investments	(557,702)	(922,025)
Acquisitions of property and equipment	(1,001,127)	(46,870)
Net cash used in investing activities	(1,092,693)	(88,959)
Financing Activities		
Principal payments on long-term debt	(40,000)	(40,000)
Contributions restricted for long-lived assets	200,000	-
Net cash provided by (used in) financing activities	160,000	(40,000)
Net Change in Cash and Cash Equivalents and Restricted Cash	(3,461,593)	972,287
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	6,073,065	5,100,778
Cash and Cash Equivalents and Restricted Cash, End of Year	$ 2,611,472	$ 6,073,065
Supplemental Cash Flows Information		
Interest paid	$ 141	$ 3,337
Contributed principal and interest on loan	223,538	223,538
Accounts payable included in property and equipment	47,276	-
Reconciliation of Cash and Cash Equivalents and Restricted Cash		
Cash and cash equivalents	$ 2,557,326	$ 6,019,572
Assets limited as to use	54,146	53,493
	$ 2,611,472	$ 6,073,065

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The consolidated financial statements of Project Hospitality, Inc. and Subsidiaries include Project Hospitality, Inc. (PHI), Watershed Associates Inc. (Watershed), New Vision Housing Development Fund Corporation (New Vision), Project Hospitality 385 Housing Development Fund Corporation (PH 385 HDFC), and Castleton Housing Development Fund Corporation (Castleton), collectively referred to as the Organization. The Organization was organized to provide counseling, food, and shelter to homeless individuals.

PHI is a New York not-for-profit organization whose mission and principal activities are to reach out to the community members who are hungry, homeless, or otherwise in need in order to work with them to achieve self-sufficiency. PHI advocates for those in need and establishes a comprehensive continuum of care that begins with the provision of food, clothing, and shelter, and extends to other services which include health care, mental health services, alcohol and substance abuse treatment, HIV care, education, vocational training, legal assistance, and transitional and permanent housing.

Watershed was incorporated under the Not-for-Profit Corporation Law of New York State in March 2003. Watershed's main purpose is to provide counseling, food, and shelter to homeless individuals living on Staten Island, New York. In fulfilling this purpose and objective, Watershed holds title to real and personal property, collects rental income, and remits the entire amount thereof, less expenses, to PHI.

New Vision was incorporated under the Not-for-Profit Corporation Law of New York State in July 2010. New Vision's main purpose is to acquire, develop, and manage housing projects for persons of low income.

PH 385 HDFC was incorporated under the Not-for-Profit Corporation Law of New York State in September 2000. PH 385 HDFC's main purpose is to develop a housing project for persons of low income.

Castleton was incorporated under the Not-for-Profit Corporation Law of New York State in September 2018. Castleton's main purpose is to develop a housing project for persons of low income.

PHI is the sole member of Watershed, New Vision, PH 385 HDFC, and Castleton.

In September 2018, PH Castleton, Inc., a New York corporation, was formed and sold $100 shares of stock to Castleton. In December 2018, Hudson Castleton LLC, a New York limited liability company, and PH Castleton, Inc. entered into an operating agreement of 1546 Castleton Managing Member LLC pursuant to which the Organization agreed to jointly develop a multifamily affordable housing project on certain real property owned by Castleton. PH Castleton, Inc. has a 51% interest in 1546 Castleton Managing Member LLC. On November 1, 2019, the construction loan was closed and 1546 Castleton Owner LLC was formed, in which 1546 Castleton Managing Member LLC has 0.01% interest. As part of the closing, all property and mortgage were transferred from 1546 Castleton Managing Member LLC to 1546 Castleton Owner LLC.

The Organization's programmatic activities are funded primarily by grants, fee for service arrangements, and rental income from governmental agencies and contributions.

Principles of Consolidation

All material intercompany transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2022, cash equivalents consisted primarily of money market accounts with a bank. Uninvested cash and cash equivalents included in investment accounts are not considered cash and cash equivalents.

At June 30, 2022, the Organization's cash accounts exceeded federally insured limits by approximately $2.9 million.

Investments and Investment Return

Investments in equity securities, closed-end funds, mutual funds, and real estate investment trusts having a readily determinable fair value are carried at fair value. Investment return includes dividend and interest; realized and unrealized gains, less external investment fees. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return is reflected in the consolidated statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount of consideration from customers, of which the Organization has an unconditional right to receive plus any accrued and unpaid interest. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Interest is not accrued or recorded on outstanding receivables. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Contract Assets

Contract assets are recorded when the Organization has a right to consideration in exchange for good or services that the Organization has transferred to the customer. The Organization records a contract asset for the prorated amount of services provided to the customer but payment is not yet due from the customer.

Assets Limited as to Use

Assets limited as to use are assets set aside under the terms of certain financing agreements to be used for capital purposes or the pay down of the outstanding long-term debt.

Property and Equipment

Property and equipment acquisitions over $5,000 are stated at cost, less accumulated depreciation and amortization. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	5–40 years
Leasehold improvements	2–11 years
Furniture and equipment	3–7 years
Motor vehicles	4–5 years

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2022 and 2021.

Refundable Advances

Revenues from fees for programs are deferred and recognized over the periods to which the fees relate. As of June 30, 2022 and 2021, refundable advances were $0 and $173,777, respectively.

Refund Liabilities

The consideration the Organization has received from customers for which it does not expect to be entitled to is recorded as a refund liability. As of June 30, 2022 and 2021, there were no refund liabilities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets as a reserve for operating expenditures.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.*, the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue without donor restrictions.

Pharmacy Revenue

Pharmacy revenue is recognized as pharmaceuticals are dispensed. The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangement with the Organization. The Organization participates in the 340B "Drug Discount Program" which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The 340B gross receipts from this program were approximately $413,000 and $97,000, respectively, for the years ended June 30, 2022 and 2021 and are included in other income on the consolidated statements of activities. The pharmaceutical supply costs and administrative and filing fees were approximately $326,000 and $88,000, respectively, for the years ended June 30, 2022 and 2021 and are included in client expenses on the consolidated statements of functional expenses. The net 340B revenue is used in Ryan White programs run by the Organization.

Changes in Accounting Principles

In 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* on a retrospective basis. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash or other financial assets in the consolidated statements of activities and disclosures within the notes to the financial statements about the valuation method for, use of, and donor-imposed restrictions associated with contributed nonfinancial assets. Adoption of ASU 2020-07 had no impact on previously reported total change in net assets.

Contributed Nonfinancial Assets

In addition to receiving cash contributions, the Organization receives in-kind contributions of donated food from the Food Bank of New York City. The Organization records the estimated fair value of certain in-kind donations as an expense in the consolidated financial statements and similarly increase contribution revenue. For the years ended June 30, 2022 and 2021, $601,305 and $607,385, respectively, from Food Bank of New York City were received in in-kind contributions. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Due from Government Agencies and Government Grants

The Organization records receivables based on established agreements with government funders. Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. As of June 30, 2022 and 2021, there was no allowance for doubtful accounts necessary.

Income Taxes

PHI and PH 385 HDFC are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. Watershed is exempt from income taxes under Section 501(c)(2) of the Internal Revenue Code and a similar provision of state law. New Vision was incorporated to operate as a nonprofit, exempt from income taxes under section 501 of the Internal Revenue Code and similar provisions of state law. PH Castleton, Inc. is a for-profit organization subject to income taxes. Castleton and New Vision are exempt from income taxes under Section 501(c)(4). The Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

Operating Leases

Rent expense has been recorded on the straight-line basis over the life of the lease. Deferred rent is recorded when there are material differences between the fixed payments and the rent expense.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Certain costs have been allocated among the program, management and general, and fundraising categories based on the programmatic square footage, time studies, and other methods.

Reclassification

In 2021, $392,437 of managed care receivables have been reclassified from due from government agencies to accounts receivable in order to conform with the 2022 consolidated financial statement presentation. This reclassification had no effect on the change in net assets.

Note 2: Contributions Receivable

Contributions receivable of $562,295 and $471,985 at June 30, 2022 and 2021, respectively, are all due within one year and are restricted for specific purposes.

Note 3: Grant Reimbursements Receivable and Future Commitments

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2022 have been recorded as receivables. The conditional amounts will be recognized as grant revenues when the Organization incurs qualifying expenses. The following are the grant commitments that extend beyond June 30, 2022:

Grant	Term	Grant Amount	Earned Through June 30, 2022	Amount Deobligated	Funding Available
New York City Department of Health and Mental Hygiene	7/1/2020–6/30/2023	$ 11,821,639	$ 6,793,865	$ -	$ 5,027,774
New York City Department of Youth and Community Development	7/1/2020–6/30/2023	13,207,321	10,848,844	-	2,358,477
Food Bank of New York City	4/1/2022–3/31/2023	1,193,024	487,481	-	705,543
Emergency Housing Navigator	12/13/2021–12/20/202	590,986	20,195	-	570,791
New York State Department of Health	11/1/2017–10/31/2022	1,875,000	1,858,258		16,742
New York State Department of Health	10/1/2019–ongoing unless terminated	5,361,476	3,920,043	-	1,441,433
U.S. Department of Housing and Urban Development	11/1/2020–11/30/2022	6,721,858	4,208,436	-	2,513,422
New York City Department of Homeless Services	5/11/2004–6/30/2027	93,751,106	56,668,487	-	37,082,619
New York City Department of Social Service/Human Resources Administration	1/19/2020–12/31/2022	2,850,383	2,511,214	-	339,169
New York State Office of Alcoholism and Substance Abuse Services	7/1/2019–6/30/2024	5,408,388	2,081,250	-	3,327,138
New York State Office of Children and Family Services	9/1/2020–8/31/2022	409,930	334,995	-	74,935
New York State Office of Mental Health	7/1/2019–6/30/2024	6,478,308	2,866,043	12,507	3,599,758
New York State Office of Temporary and Disability Assistance	9/1/2018–8/31/2023	2,221,370	2,174,526	-	46,844
Research Foundation for Mental Hygiene, Inc.	4/20/2020–9/13/2022	3,343,956	1,539,073	-	1,804,883
Public Health Solutions	3/1/2020–2/28/2023	5,432,171	2,616,520	-	2,815,651
		$ 160,666,916	$ 98,929,230	$ 12,507	$ 61,725,179

Note 4: Revenue from Contracts with Customers

Medicaid and other program fees and pharmacy revenue is the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for standing ready to provide services to its customers.

Third-Party Payors

Agreements with third-party payors typically provide for payments at established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid: Reimbursements for Medicaid services are generally paid for each type of service provided.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per established charges.

Revenue is recognized as performance obligations are satisfied, which is ratably over the period services are provided. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its clients and customers in a retail setting (for example, pharmaceuticals) and the Organization does not believe it is required to provide additional goods related to the client.

Transaction Price and Recognition

The Organization determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to customers. The Organization determines its estimate of explicit price concessions based on its historical collection experience with this class of customers.

From time to time, the Organization will receive overpayments of customer balances resulting in amounts owed back to either the customers or third parties. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2022 and 2021, the Organization did not have any liability for refunds to third-party payors and customers.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. For the years ended June 30, 2022 and 2021, no additional revenue was recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the customer's ability to pay are recorded as bad debt expense.

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the payors that have different payment methodologies.

For the years ended June 30, 2022 and 2021, the Organization recognized revenue of $5,923,298 and $5,942,756, respectively, from services that transfer to the customer over time. For the years ended June 30, 2022 and 2021, the Organization recognized approximately $413,000 and $97,000, respectively, from pharmaceutical supplies provided to patients for performance obligations satisfied at a point in time.

Contract Balances

Contract assets primarily relate to the Organization's rights to consideration for services provided but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. Contract liabilities represent the Organization's obligation to transfer goods or services to a customer when consideration has already been received from the customer. There were no contract assets or contract liabilities as of June 30, 2022 and 2021.

The following table provides information about the Organization's receivables from contracts with customers as of June 30, 2022 and 2021:

	2022	2021
Accounts receivable, beginning of year	$ 392,438	$ 288,738
Accounts receivable, end of year	435,745	392,438

Portfolio Approach

The Organization has to use the portfolio approach as a practical expedient to account for contracts as a collective group, rather than individually, as indicated in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-10-4, because the financial statement effects are not expected to materially differ from an individual contract approach.

Financing Component

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from customers and third parties for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a customer and the time the customer or a third-party payor pays for that service will be one year or less.

Note 5: Property and Equipment

Property and equipment at June 30, 2022 and 2021 consists of:

	2022	2021
Land	$ 1,451,407	$ 1,451,407
Buildings and improvements	9,536,489	9,536,489
Leasehold improvements	2,149,017	2,115,923
Furniture and fixtures	2,526,123	2,526,123
Motor vehicles	68,754	68,754
Construction in progress	1,202,013	186,704
	16,933,803	15,885,400
Less accumulated depreciation and amortization	(7,768,364)	(7,111,086)
	$ 9,165,439	$ 8,774,314

PH 385 HDFC received funding from the NYC Department of Homeless Services (NYC DHS), the U.S. Department of Housing and Urban Development (HUD), and Federal Home Loan Bank of New York (FHLB) for rehabilitation of the building located at 385 Jersey Street, Staten Island, NY. The property is authorized to be used for housing needs, to promote the development of independent living, and includes innovative approaches to assist homeless persons in their transition from homelessness. PH 385 HDFC was also awarded the Affordable Housing Program Direct subsidy from the FHLB in the amount of $543,501. The subsidy is for 15 years at no interest, with no schedule of payments, and will be forgiven at the end of the term which began on March 10, 2008 (date of occupancy). Under the term of the agreement, the property must be used to provide housing for income eligible households for 15 years and may not be sold or transferred without prior notification to FHLB. If the project does not comply with the terms of the agreement, the amount provided will be considered to be in default and the amount of subsidy provided plus interest will be recovered.

PH 385 HDFC has a contract with the NYC DHS and is required to operate the facility in accordance with the terms of the agreement for a period of 20 years and nine months. The residence was established to provide housing for 30 homeless adults and ancillary services. NYC DHS makes the monthly mortgage payments directly to the Low Income Investment Fund (LIIF) (see *Note 8*), as reflected in the debt service line of the contract. For the years ended June 30, 2022 and 2021, total payments made by NYC DHS amounted to $223,538 in each of the years and that amount is recorded as part of the government grants revenue.

As of June 30, 2022, the Organization has construction commitments of approximately $488,000. The construction is expected to be completed during fiscal year ending June 30, 2023. As of June 30, 2021, there were no outstanding commitments.

Note 6: Assets Limited as to Use

In accordance with the mortgage loan agreement, mortgage and maintenance reserve accounts are required to be maintained by PH 385 HDFC. Deposits to the funds are held by LIIF (the Lender). PH 385 HDFC is required to make quarterly deposits into the maintenance reserve account in the amount of $625. Deposits can be used upon approval from NYC DHS and the Lender for major and “non-ordinary” repairs of the premises. As of June 30, 2022 and 2021, the balance was $54,146 and $53,493, respectively.

Note 7: Note Receivable

In November 2019, Watershed issued a note receivable in the amount of $799,740, with interest compounded annually at 6%. The note is due from 1546 Castleton Owner LLC, a New York limited liability company. The principal sum, together with all accrued and unpaid interest, shall be due and payable no later than 60 years from the conversion of construction loans to permanent financing, which was November 2019. As of June 30, 2022 and 2021, Watershed recorded accrued interest receivable of $216,507 and $169,793, respectively, which is included in prepaid expenses and other receivables in the consolidated statements of financial position.

Note 8: Long-Term Debt

	2022	2021
(A) Deutsche Bank	$ -	$ 40,000
(B) LIIF	1,039,387	1,177,915
(C) Paycheck Protection Program Loan	-	3,512,875
	$ 1,039,387	$ 4,730,790

(A) In December 2016, PHI received a grant from Deutsche Bank with a recoverable portion of $120,000. The recoverable portion bears no interest and is to be paid in annual installments of $40,000 on November 30, 2019, 2020, and 2021. In 2022, the loan was fully paid.

(B) LIIF provided the Organization a 20-year mortgage loan of $2,291,190 with an annual interest of 7.62%. The loan requires monthly interest and principal payment of $18,626. The loan payments commenced on April 1, 2008 and will mature on March 1, 2028. The loan payments are made by NYC DHS directly to LIIF (see *Note 5*) and are secured by the property.

(C) On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act). On May 5, 2020, the Organization received a loan in the amount of $3,512,875 pursuant to the Paycheck Protection Program (PPP). Effectively May 18, 2022 the loan was forgiven in full. The forgiveness of the loan was recognized as a gain in the financial statements during this period as the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustments could be required to any gain recognized. During 2022, the SBA forgave $3,512,875 of the loan.

Future principal payments are as follows:

2022–2023	$ 149,461
2023–2024	161,256
2024–2025	173,982
2025–2026	187,713
2026–2027	202,527
Thereafter	164,448
Total	$ 1,039,387

Note 9: Capital Advances

In September 2016, New Vision entered into an agreement with New York State Housing and Assistance Corporation Homeless Housing and Assistance Program (HHAP), with PHI as the sponsor, to operate a project to provide housing for homeless people at a building located at 411 Vanderbilt Avenue, Staten Island, NY. The first phase of this project included a capital advance of up to $3,292,123 to renovate and rehabilitate the property for occupancy. HHAP may recover the funds in the event the project ceases to be used as a shelter for the homeless within 25 years. Provided the project continues to operate in this capacity for 25 years, the capital advance balance will be forgiven. The capital advance does not bear interest and has no required payments. At June 30, 2022 and 2021, $3,275,765 had been drawn on the capital advance. The maturity date is October 18, 2039.

In July 2007, Watershed entered into an agreement with HHAP to operate a project to provide housing for homeless people at 157 Beechwood Avenue, Staten Island, NY. New Vision received a capital advance of $510,700. HHAP may recover the funds in the event the project ceases to be used as a shelter for the homeless within 25 years. Provided the project continues to operate in this capacity for 25 years, the capital advance balance will be forgiven. The capital advance does not bear interest and has no required payments. The maturity date is August 2032. This was recognized as revenue in previous years as the Organization expects to meet the conditions for forgiveness.

In December 2008, Watershed entered into an agreement with HHAP to operate a project to provide housing for homeless people at 355 and 365 Van Pelt Avenue, Staten Island, NY. New Vision received a capital advance of $945,082. HHAP may recover the funds in the event the project ceases to be used as a shelter for the homeless within 25 years. Provided the project continues to operate in this capacity for 25 years, the capital advance balance will be forgiven. The capital advance does not bear interest and has no required payments. The maturity date is December 2034. This was recognized as revenue in previous years as the Organization expects to meet the conditions for forgiveness.

Note 10: Line of Credit

In October 7, 2021, the Organization obtained a $2 million line of credit with Investors Bank that it could draw upon. The line of credit bore interest of 4.25% per annum and was secured by the assets of the Organization. There was no outstanding balance at June 30, 2022 and 2021.

On October 26, 2022, the Organization closed their line of credit with Investors Bank and obtained a new line of credit for $2 million with Northfield Bank. The line of credit is due on demand with no expiration date and is collateralized by the Organization's assets.

Note 11: Operating Leases

PHI has several noncancelable operating leases for residential and administrative space, which expire through July 31, 2038.

In addition, the Organization leases certain vehicles under various noncancelable operating lease agreements that expire through February 18, 2024.

Future minimum lease payments under operating leases are:

	Space Rental	Vehicle Rental	Total
2022–2023	$ 5,060,903	$ 33,071	$ 5,093,974
2023–2024	2,402,861	16,289	2,419,150
2024–2025	1,164,850	-	1,164,850
2025–2026	582,354	-	582,354
2026–2027	404,426	-	404,426
Thereafter	1,744,157	-	1,744,157
Total minimum lease payments	$ 11,359,551	$ 49,360	$ 11,408,911

Note 12: Pension Plan and Deferred Compensation Plan

The Organization has a 403(b) defined contribution pension plan covering substantially all employees who have completed two years of service as of December 31 of the plan year. The Board of Directors annually determines the amount, if any, of the Organization's discretionary contributions to the plan. Pension expense was $214,081 and $215,982 for the years ended June 30, 2022 and 2021, respectively.

Note 13: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021:

	2022	
	Total	**Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)**
Equity securities		
Energy	$ 5,671	$ 5,671
Materials	27,334	27,334
Industrials	58,843	58,843
Consumer discretionary	49,554	49,554
Consumer staples	17,398	17,398
Health care	79,004	79,004
Financials	70,669	70,669
Information technology	91,007	91,007
Telecommunication services	21,687	21,687
Utilities	3,263	3,263
Real estate	23,566	23,566
Closed-end funds	73,965	73,965
Exchange-traded funds	41,581	41,581
Mutual funds		
Bond funds	1,298,468	1,298,468
Equity funds	293,139	293,139
Total	2,155,149	$ 2,155,149
Cash equivalents	39,294	
Total	$ 2,194,443	

	2021	
	Total	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Equity securities		
Energy	$ 6,529	$ 6,529
Materials	31,741	31,741
Industrials	69,977	69,977
Consumer discretionary	79,376	79,376
Consumer staples	9,567	9,567
Health care	79,362	79,362
Financials	70,834	70,834
Information technology	111,648	111,648
Telecommunication services	23,166	23,166
Utilities	2,751	2,751
Real estate	2,458	2,458
Closed-end funds	161,813	161,813
Exchange-traded funds	41,717	41,717
Mutual funds		
Bond funds	1,421,811	1,421,811
Equity funds	333,111	333,111
Real estate investment trusts	13,164	13,164
Total	2,459,025	$ 2,459,025
Cash equivalents	45,341	
Total	$ 2,504,366	

The following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2022. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

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

Note 14: Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021 are available for the following purposes:

	2022	2021
Housing, food, and legal	$ 1,136,728	$ 1,023,379
Hurricane Sandy and disaster relief preparedness and mitigation	162,102	196,982
	$ 1,298,830	$ 1,220,361

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2022	2021
Housing, food, and legal	$ 1,575,062	$ 1,229,157
Hurricane Sandy and disaster relief preparedness and mitigation	34,880	44,996
	$ 1,609,942	$ 1,274,153

Note 15: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

As of June 30, 2022 and 2021, 53% and 62%, respectively, of receivables were due from Public Health Solutions, NYC DHS, and NYC Department of Health and Mental Hygiene (NYC DOHMH). In 2022 and 2021, 47% and 45%, respectively, of revenue was due from NYC DHS and NYC DOHMH. This represents a concentration of credit risk to the Organization.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such change could materially affect the amounts reported in the accompanying consolidated statements of financial position.

Note 16: Related-Party Transaction

For the years ended June 30, 2022 and 2021, the Organization paid rent of approximately $27,000 and $34,000, respectively, to the estate of a family member of the President and CEO.

Note 17: Commitments and Contingencies

The Organization receives substantially all its revenues for services provided for approved participants from third-party reimbursement agencies, including Medicaid. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. As of June 30, 2022 and 2021, management has estimated no need for a reserve for potential rate adjustments.

The Organization is responsible for reporting to various third parties. These agencies, as well as the New York State Office of the Attorney General, the Internal Revenue Service, the New York State Office of the Medicaid Inspector General, the New York State Department of Health, the New York State Charities Bureau, and others have the right to audit the Organization.

Litigation

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets, and cash flows of the Organization. Events could occur that would change this estimate materially in the near-term.

Note 18: COVID-19 Pandemic

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses. While some of these policies have been eased, some restrictions remain in place.

Payroll Tax Credits

The CARES Act provides for a deferral of payments of the employer portion of payroll tax incurred during the pandemic, allowing half of such payroll taxes be deferred until December 2021, and the remaining half until December 2022. At June 30, 2022 and 2021, the Organization had deferred $259,620 and $403,742, respectively, of payroll taxes recorded as part of accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

Note 19: Subsequent Events

Subsequent events have been evaluated through February 17, 2023, which is the date the consolidated financial statements were available to be issued.

On October 26, 2022, the Organization closed on a property located at 2912-16 Richmond Terrace, Staten Island, NY. There were two mortgages with Northfield Bank on the property totaling $1,380,000.

Note 20: Liquidity and Availability

The Organization's financial assets available within one year of the consolidated statements of financial position date for general expenditures at June 30, 2022 and 2021 are:

	2022	2021
Financial assets		
Cash and cash equivalents	$ 2,557,326	$ 6,019,572
Investments	2,194,443	2,504,366
Accounts receivable	778,293	398,032
Due from government agencies	12,165,258	11,310,131
Contributions receivable	562,295	471,985
Total financial assets	18,257,615	20,704,086
Internal designations		
Board designated	(2,184,129)	(2,499,374)
Donor-imposed restrictions		
Restricted funds	(1,298,830)	(1,220,361)
Financial assets available to meet cash needs for general expenditures within one year	$ 14,774,656	$ 16,984,351

The Organization does not intend to spend from the board-designated funds of $2,184,129 and $2,499,374 as of June 30, 2022 and 2021, respectively, other than amounts that may be appropriated for general expenditures as part of the Board's annual budget approval and appropriation. To help manage unanticipated liquidity needs, the Organization has a $2 million line of credit.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The level of liquidity reserves was managed within the policy.

Note 21: Future Changes in Accounting Principles

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021 and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Accounting for Financial Instruments – Credit Losses

FASB amended its standards related to the accounting for credit losses on financial instruments. This amendment introduces new guidance for accounting for credit losses on instruments including trade receivables and finance receivables. The new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those years. The Organization is in the process of evaluating the effect the amendment will have on the consolidated financial statements.

Supplementary Information

Project Hospitality, Inc. and Subsidiaries

Consolidating Schedule – Statement of Financial Position Information

June 30, 2022

	Project Hospitality	Watershed	New Vision	PH 385 HDFC	Castleton	Eliminations	Total
Assets							
Cash and cash equivalents	$ 2,047,735	$ 60,267	$ 387,838	$ 49,720	$ 11,766	$ -	$ 2,557,326
Investments	2,194,443	-	-	-	-	-	2,194,443
Accounts receivable	561,786	216,507	-	-	-	-	778,293
Due from government agencies	12,025,469	-	-	139,789	-	-	12,165,258
Due from affiliated entities	2,807,229	1,008,276	214,980	642,159	-	(4,672,644)	-
Contributions receivable	562,295	-	-	-	-	-	562,295
Assets limited as to use	-	-	-	54,146	-	-	54,146
Prepaid expenses and other receivables	253,381	1,904	28,457	6,344	-	-	290,086
Note receivable	-	799,740	-	-	-	-	799,740
Property and equipment, net	2,637,876	262,261	3,264,059	3,001,243	-	-	9,165,439
Total assets	$ 23,090,214	$ 2,348,955	$ 3,895,334	$ 3,893,401	$ 11,766	$ (4,672,644)	$ 28,567,026
Liabilities and Net Assets							
Liabilities							
Accounts payable and accrued expenses	$ 3,379,125	$ -	$ 13,825	$ 84,263	$ 22,331	$ -	$ 3,499,544
Long-term debt	-	-	-	1,039,387	-	-	1,039,387
Capital advance	-	-	3,275,765	-	-	-	3,275,765
Due to affiliated entities	1,918,344	1,153,871	495,917	1,104,455	57	(4,672,644)	-
Total liabilities	5,297,469	1,153,871	3,785,507	2,228,105	22,388	(4,672,644)	7,814,696
Net Assets (Deficit)							
Without donor restrictions							
Undesignated	14,309,786	1,195,084	109,827	1,665,296	(10,622)	-	17,269,371
Board designated	2,184,129	-	-	-	-	-	2,184,129
	16,493,915	1,195,084	109,827	1,665,296	(10,622)	-	19,453,500
With donor restrictions	1,298,830	-	-	-	-	-	1,298,830
Total net assets (deficit)	17,792,745	1,195,084	109,827	1,665,296	(10,622)	-	20,752,330
Total liabilities and net assets	$ 23,090,214	$ 2,348,955	$ 3,895,334	$ 3,893,401	$ 11,766	$ (4,672,644)	$ 28,567,026

Project Hospitality, Inc. and Subsidiaries

Consolidating Schedule – Statement of Activities Information

Year Ended June 30, 2022

	Project Hospitality			Watershed	New Vision	PH 385 HDFC	Castleton		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Eliminations	Total
Revenues, Gains, and Other Support									
Government grants	$32,972,894	$ -	$32,972,894	$ -	$ -	$ 1,700,093	$ -	$ -	$34,672,987
Medicaid and other program fees	5,958,632	-	5,958,632	-	-	-	-	(39,124)	5,919,508
Rental income	1,766,707	-	1,766,707	12,000	280,826	-	-	(112,800)	1,946,733
Contributions and grants revenue	468,147	1,688,411	2,156,558	-	-	-	-	-	2,156,558
Special events - net of direct costs of $4,455	294,406	-	294,406	-	-	-	-	-	294,406
Investment return	(294,281)	-	(294,281)	46,713	680	4	-	-	(246,884)
Contributed nonfinancial assets	601,305	-	601,305	-	-	-	-	-	601,305
Gain on forgiveness of loan	3,512,875	-	3,512,875	-	-	-	-	-	3,512,875
Other income	472,632	-	472,632	-	-	70	-	-	472,702
Net assets released from restrictions	1,609,942	(1,609,942)	-	-	-	-	-	-	-
Total revenues, gains, and other support	47,363,259	78,469	47,441,728	58,713	281,506	1,700,167	-	(151,924)	49,330,190
Expenses									
Program services									
Support and treatment services	13,042,214	-	13,042,214	-	-	-	-	-	13,042,214
Re-housing services	12,353,123	-	12,353,123	74,278	468,194	-	10,281	(74,134)	12,831,742
Homeless care and prevention services	15,081,879	-	15,081,879	-	157,355	1,541,453	-	(57,600)	16,723,087
Total program services	40,477,216	-	40,477,216	74,278	625,549	1,541,453	10,281	(131,734)	42,597,043
Supporting services									
Management and general	4,311,245	-	4,311,245	2,730	5,460	128,901	-	(20,190)	4,428,146
Fundraising	443,328	-	443,328	-	-	-	-	-	443,328
Total supporting services	4,754,573	-	4,754,573	2,730	5,460	128,901	-	(20,190)	4,871,474
Total expenses	45,231,789	-	45,231,789	77,008	631,009	1,670,354	10,281	(151,924)	47,468,517
Change in Net Assets	2,131,470	78,469	2,209,939	(18,295)	(349,503)	29,813	(10,281)	-	1,861,673
Net Assets, Beginning of Year	14,362,445	1,220,361	15,582,806	1,213,379	459,330	1,635,483	(341)	-	18,890,657
Net Assets, End of Year	$16,493,915	$ 1,298,830	$17,792,745	$ 1,195,084	$ 109,827	$ 1,665,296	$ (10,622)	$ -	$20,752,330