# RISING TREETOPS AT OAKHURST

## FINANCIAL STATEMENTS

## DECEMBER 31, 2022

RISING TREETOPS AT OAKHURST

CONTENTS

INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Rising Treetops at Oakhurst
New York, New York

**Opinion**

We have audited the accompanying financial statements of Rising Treetops at Oakhurst, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rising Treetops at Oakhurst as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rising Treetops at Oakhurst and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 2 to the financial statements, Rising Treetops at Oakhurst changed its accounting policy related to its recording of leases whereby it is recognizing a right-of-use asset and a lease liability for all lease agreements with a term greater than 12 months. The policy was adopted retrospectively effective January 1, 2022, with the cumulative effect of initially applying the policy recognized as of the date of application. Our opinion is not modified with respect to this matter.

**Management's Responsibility for the Financial Statements**

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



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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 Rising Treetops at Oakhurst's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditors' Responsibility for 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 auditors' 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Rising Treetops at Oakhurst'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 Rising Treetops at Oakhurst'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.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
July 31, 2023

RISING TREETOPS AT OAKHURST
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

## ASSETS

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 860,068 |
| Investments | | 1,978,830 |
| Accounts receivable | | 867,911 |
| Investment in real estate partnerships | | (62,431) |
| Other assets | | 56,050 |
| Operating lease right-of-use assets | | 44,456 |
| Land | | 17,120 |
| Building and improvements (net of $4,266,258 of accumulated depreciation) | | 1,742,677 |
| Equipment (net of $993,130 of accumulated depreciation) | | 1,806 |
| TOTAL ASSETS | $ | 5,506,487 |

## LIABILITIES AND NET ASSETS

| | | |
|---|---|---|
| LIABILITIES: | | |
| Accounts payable and accrued expenses | $ | 218,696 |
| Due to government agencies | | 82,376 |
| Contract liabilities | | 5,703 |
| Operating lease liabilities | | 44,456 |
| TOTAL LIABILITIES | | 351,231 |
| COMMITMENTS AND CONTINGENCIES | | |
| NET ASSETS: | | |
| Without donor restrictions: | | |
| Operating | | 1,765,064 |
| Board designated | | 65,251 |
| Land, building and equipment | | 1,761,603 |
| Total net assets without donor restrictions | | 3,591,918 |
| With donor restrictions: | | |
| Purpose restricted | | 552,227 |
| Endowment | | 1,011,111 |
| Total net assets with donor restrictions | | 1,563,338 |
| TOTAL NET ASSETS | | 5,155,256 |
| TOTAL LIABILITIES AND NET ASSETS | $ | 5,506,487 |

The accompanying notes are an integral part of these financial statements.

RISING TREETOPS AT OAKHURST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

| | 2022 | | | |
|---|---|---|---|---|
| | | With Donor Restrictions | | |
| | Without Donor Restrictions | Purpose Restricted | Endowment | Total |
| OPERATING REVENUE: | | | | |
| Contributions | $ 347,440 | $ - | $ - | $ 347,440 |
| Government program fees | 1,682,878 | - | - | 1,682,878 |
| Workforce stabilization revenue | 99,007 | - | - | 99,007 |
| Shore Friends of Rising Treetops at Oakhurst | 42,575 | - | - | 42,575 |
| UJA - Federation of N.Y. | 50,000 | - | - | 50,000 |
| Special events, net of direct costs of special events of $23,004 | 163,105 | - | - | 163,105 |
| Direct client fees | 234,400 | - | - | 234,400 |
| Program fees | 7,641 | - | - | 7,641 |
| Rental income | 25,965 | - | - | 25,965 |
| Total Operating Revenue | 2,653,011 | - | - | 2,653,011 |
| OPERATING EXPENSES: | | | | |
| Program services | 2,461,477 | - | - | 2,461,477 |
| Supporting services: | | | | |
| Management and general | 350,841 | - | - | 350,841 |
| Fundraising | 78,667 | - | - | 78,667 |
| Total Operating Expenses | 2,890,985 | - | - | 2,890,985 |
| CHANGE IN NET ASSETS FROM OPERATIONS | (237,974) | - | - | (237,974) |
| NONOPERATING REVENUES AND EXPENSES: | | | | |
| Investment loss, net | (181,939) | - | (183,644) | (365,583) |
| Contributions | 10,000 | 148,081 | - | 158,081 |
| Employee Retention Credit | 308,464 | - | - | 308,464 |
| Forgiveness of debt - Paycheck Protection Program loan | 205,367 | - | - | 205,367 |
| Other income | 15,288 | - | - | 15,288 |
| Loss on investment in real estate partnership | (3,296) | - | - | (3,296) |
| Net assets released from donor restrictions - capital projects | 69,240 | (69,240) | - | - |
| Total Nonoperating Revenues and Expenses | 423,124 | 78,841 | (183,644) | 318,321 |
| CHANGE IN NET ASSETS | 185,150 | 78,841 | (183,644) | 80,347 |
| RECLASSIFICATION | (68,116) | - | 68,116 | - |
| NET ASSETS, BEGINNING OF YEAR | 3,474,884 | 473,386 | 1,126,639 | 5,074,909 |
| NET ASSETS, END OF YEAR | $ 3,591,918 | $ 552,227 | $ 1,011,111 | $ 5,155,256 |

The accompanying notes are an integral part of these financial statements.

# RISING TREETOPS AT OAKHURST
# STATEMENT OF FUNCTIONAL EXPENSES
# FOR THE YEAR ENDED DECEMBER 31, 2022

| | Program Services | | | | Supporting Services | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Summer Camp | Emergency Respite Care | Traditional Respite Care | Total Program Services | Management and General | Fundraising | Total Supporting Services | Direct Cost of Special Events | Total |
| Salaries | $ 226,228 | $ 205,716 | $ 636,120 | $ 1,068,064 | $ 138,523 | $ 36,793 | $ 175,316 | $ - | $ 1,243,380 |
| Payroll taxes and employee benefits | 55,726 | 50,655 | 156,667 | 263,048 | 34,028 | 9,038 | 43,066 | - | 306,114 |
| Total salaries and related benefits | 281,954 | 256,371 | 792,787 | 1,331,112 | 172,551 | 45,831 | 218,382 | - | 1,549,494 |
| Contracted services | 1,244 | 1,500 | 3,458 | 6,202 | 3,705 | 984 | 4,689 | - | 10,891 |
| Occupancy | 41,317 | 16,305 | 66,035 | 123,657 | 18,410 | 3,682 | 22,092 | - | 145,749 |
| Professional fees | 9,720 | 3,228 | 14,650 | 27,598 | 105,475 | 20,701 | 126,176 | - | 153,774 |
| Food | 60,971 | 20,252 | 91,901 | 173,124 | - | - | - | - | 173,124 |
| Program supplies | 37,171 | 12,347 | 56,028 | 105,546 | - | - | - | - | 105,546 |
| Repairs and maintenance | 68,905 | 32,977 | 106,932 | 208,814 | - | - | - | - | 208,814 |
| Insurance | 15,086 | 13,713 | 42,412 | 71,211 | 9,212 | 2,447 | 11,659 | - | 82,870 |
| Recruitment | 43,758 | 922 | 4,182 | 48,862 | - | - | - | - | 48,862 |
| Catering and entertainment | - | - | - | - | - | - | - | 23,004 | 23,004 |
| Communications | 8,418 | 8,263 | 23,600 | 40,281 | 6,616 | 1,578 | 8,194 | - | 48,475 |
| Stationery, printing and office supplies | 8,807 | 8,211 | 24,738 | 41,756 | 6,753 | 1,676 | 8,429 | - | 50,185 |
| Travel and transportation | 5,199 | 6,270 | 14,451 | 25,920 | - | - | - | - | 25,920 |
| Depreciation | 48,674 | 58,695 | 135,284 | 242,653 | - | - | - | - | 242,653 |
| Miscellaneous | 3,589 | 2,815 | 8,337 | 14,741 | 28,119 | 1,768 | 29,887 | - | 44,628 |
| | 352,859 | 185,498 | 592,008 | 1,130,365 | 178,290 | 32,836 | 211,126 | 23,004 | 1,364,495 |
| Total expenses | 634,813 | 441,869 | 1,384,795 | 2,461,477 | 350,841 | 78,667 | 429,508 | 23,004 | 2,913,989 |
| Cost of special events | - | - | - | - | - | - | - | (23,004) | (23,004) |
| Total expenses reported by function on the statement of activities | $ 634,813 | $ 441,869 | $ 1,384,795 | $ 2,461,477 | $ 350,841 | $ 78,667 | $ 429,508 | $ - | $ 2,890,985 |

The accompanying notes are an integral part of these financial statements.

RISING TREETOPS AT OAKHURST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | | |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | $ | 80,347 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | | 242,653 |
| Forgiveness of debt - Paycheck Protection Program loan | | (205,367) |
| Unrealized loss on investments | | 482,342 |
| Loss on investment in real estate partnership | | 3,296 |
| Noncash lease expense | | 57,415 |
| (Increase) decrease in assets: | | |
| Accounts receivable | | (499,606) |
| Other assets | | 11,645 |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | | 61,297 |
| Due to government agencies | | 24,057 |
| Contract liabilities | | (751) |
| Operating lease liabilities | | (57,415) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | 199,913 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of investments | | (107,972) |
| Distribution from real estate partnership | | 43,188 |
| Fixed asset acquisitions | | (254,621) |
| NET CASH USED IN INVESTING ACTIVITIES | | (319,405) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | (119,492) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | | 979,560 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $ | 860,068 |
| SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES: | | |
| Forgiveness of debt - Paycheck Protection Program loan | $ | 205,367 |
| Operating lease right-of-use assets - implementation of ASC 842 | $ | 101,871 |
| Operating lease liabilities - implementation of ASC 842 | $ | 101,871 |
| Fixed assets included in accounts payable and accrued expenses | $ | 72,440 |

The accompanying notes are an integral part of these financial statements.

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

Rising Treetops at Oakhurst (the "Organization") is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The purpose of the Organization is to enhance the quality of life for children and adults with special needs, including autism and physical and intellectual disabilities, and provide respite for their families through a year-round camp experience.

The primary sources of funding for the Organization are government grants and contracts, private charitable contributions, and program fees.

ASU No. 2016-02

As of January 1, 2022, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No 2016-02, *Leases (Topic 842)* ("ASC 842"). This ASU requires all lessees to recognize a right-of-use asset for the underlying leased asset and a lease liability for the corresponding lease liability for all lease agreements with a term greater than 12 months, initially measured at the present value of the lease payments. It also requires that initial direct costs (incremental costs of a lease that would not have been incurred if the lease had not been obtained) be assessed and added to the right-of-use asset and be included in its subsequent amortization.

In accordance with Accounting Standards Codification ("ASC") 842, the modified retrospective method was applied to all lease agreements in effect at January 1, 2022. Under the modified retrospective method, the cumulative effect of applying the standard is recognized at the date of initial application. As a result of adopting ASC 842 effective January 1, 2022, the Organization recorded right-of use assets and lease liabilities of $101,871.

As of January 1, 2022 (the implementation date of ASC 842), right-of-use assets and the corresponding lease liabilities were recognized based on the present value of lease payments as of the application date over the remaining life of the lease term. Thereafter, right-of-use assets and the corresponding lease liabilities will be recognized as of the lease commencement date based on the present value of lease payments over the life of the lease term. To determine the present value of lease payments, the Organization must use the rate implicit in the lease if it is readily determinable; otherwise, the Organization may use either (a) a borrowing rate based on similar debt or (b) the practical expedient option provided by ASC 842, which allows an entity to use a risk-free rate for each class of underlying asset for a period comparable to the lease term to discount the lease payments to present value. The Organization considers the lease term to be the noncancellable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease, if the Organization is reasonably certain to exercise the option, (2) terminate the lease, if the Organization is reasonably certain not to exercise that option, and (3) extend or not to terminate the lease, in which exercise of the option is controlled by the lessor. The Organization has elected to use the practical expedient provided by ASC 842 to determine the present value of its lease payments. The Organization's right-of-use assets and lease liabilities relate to office space.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (cont'd.)

ASU No. 2016-02 (cont'd.)

The Organization has also utilized the following practical expedients:

- Short-term leases – for leases that are for periods of 12 months or less, the Organization will not apply the recognition requirements of ASC 842.
- For leases that contain related non-lease components, such as maintenance, the Organization will account for these payments as a single lease component.

In addition, the Organization has utilized transitional practical expedients as follows:

As of January 1, 2022, the Organization has not reassessed –

- Whether any expired or existing contracts are or contain leases;
- The lease classification for any expired or existing leases; and
- Initial direct costs related to any expired or existing leases.

Leases are classified as either finance or operating leases. For operating leases, the lease liability is initially and subsequently measured at the present value of the future payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner and is subsequently measured similar to financed purchases, with interest expense recorded in connection with the lease liability. The classification between operating and finance leases determines whether lease expenses are recognized based on an effective interest method or on a straight-line basis, respectively, over the term of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred and less any incentives received. Right-of-use assets under finance leases are amortized on a straight-line basis over the lease term. Right-of-use assets for operating and finance leases are periodically reduced by impairment losses.

The Organization monitors for events or changes that could require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment will be made to the carrying amount of the corresponding right-of-use asset unless doing so would reduce the carrying amount of the right-of-use asset to an amount less than zero.

Operating lease right-of-use assets are presented as "Operating lease right-of-use assets" on the statement of financial position. Operating lease liabilities are presented as "Operating lease liabilities" on the statement of financial position.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (cont'd.)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with initial maturities when acquired of three months or less.

Investments

Investments are stated at the readily determinable fair market value in accordance with the Not-for-Profit Entities topic of the FASB ASC. All interest, dividends and realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Fair Value Measurement

Fair value is defined as 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. To increase the comparability of fair value measurements, a framework for measuring fair value is used which 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) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy under FASB ASC Topic 820, *Fair Value Measurement,* are described as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting the Organization's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (cont'd.)

Fair Value Measurement (cont'd.)

Refer to Note 4 for assets measured at fair value at December 31, 2022 in accordance with FASB ASC Topic 820.

Investment in Real Estate

The Organization is invested in four real estate partnerships. The following is a summary of the investments held at December 31, 2022:

| | Ownership Percentage | Valuation Method | Value at December 31, 2022 |
|---|---|---|---|
| Audubon Partners, LLC | 2.97% | Equity method | $ (33,276) |
| Village Park Summit, LLC | 3.42% | Equity method | 22,296 |
| Roanoke Member 4, LLC | 0.47% | Equity method | (14,171) |
| Charlotte Member 4, LLC | 0.47% | Equity method | (37,280) |
| | | | $ (62,431) |

Allowance for Doubtful Accounts

The allowance for doubtful accounts estimate is based on management's assessment of the creditworthiness of its funders, the aged basis of its receivables, as well as current economic conditions and historical information. Receivables are charged off against the allowance for doubtful accounts when they are determined to be uncollectible based upon a periodic review of the accounts by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year-end. If management determines an allowance is necessary, the resulting change will be an increase or decrease to bad debt. Interest income is not accrued or recorded on accounts receivable.

Management has determined that there was no need to record an allowance for doubtful accounts as of December 31, 2022.

Fixed Assets

Fixed assets are recorded at cost. Items with a cost of $500 or more and an estimated useful life of more than one year are capitalized. Depreciation of fixed assets is provided over the estimated useful lives of the assets utilizing the straight-line method. Estimated useful lives are as follows:

| | |
|---|---|
| Building and improvements | 5 to 35 years |
| Equipment | 5 to 10 years |

Construction in progress at December 31, 2022 was for the renovation of the Pines Cabin that was completed in June 2023 for a total cost of $236,895. At December 31, 2022, there was $72,440 of construction in progress included in accounts payable.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (cont'd.)

Contract Assets

Amounts related to services provided to customers which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract assets consist primarily of services provided to customers who are still receiving services at the end of the year. There were no contract assets at December 31, 2022 and January 1, 2022.

Contract Liabilities

Contract liabilities represent revenue that has been deferred for the funds advanced by third-party payors for the Organization's contracts received related to services that have not yet been provided to customers. Contract liabilities consist of payments made by funding sources for the Organization's contract for services not yet performed that are expected to be performed within the next fiscal year. Contract liabilities as of December 31, 2022 and January 1, 2022 were $5,703 and $6,454, respectively.

Net Assets

Net assets without donor restrictions include operating activities, which are amounts that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Board of Directors (the "Board") established a reserve fund called the Happy Days Fund (the "Fund") which has a balance of $65,251 as of December 31, 2022. The Fund will be used at the discretion of the Board, by a vote of the Board or its Executive Committee for any purpose the Board or Executive Committee designates.

Net assets with donor restrictions are amounts that are restricted by donors for specific purposes (purpose restricted) or are those which are established by donor-restricted gifts and bequests to provide an endowment (endowments).

Functional Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Those expenses include program administration, including staff and contracted services, occupancy, repairs and maintenance, and communications. These expenses are derived each year from ratio calculations of annual client hours or service and the number of days served.

Direct Client Fees

The Organization receives income directly from clients for the provision of services. Revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the services. The Organization bills for the services as they are provided, on a monthly basis. Receivables are due in full when billed, and revenue is recognized as performance obligations are satisfied.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (cont'd.)

Contributions

Contributions are provided to the Organization either with or without donor restrictions. 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 or grant is recognized as follows:

| Nature of the Gift | Value Recognized |
|---|---|
| *Conditional gifts, with or without restrictions* | |
| 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 restrictions* | |
| 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 statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that originate in a given year and are released from restriction in the same year by meeting the donors' restricted purposes are reflected in net assets without donor restrictions.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (cont'd.)

Measure of Operations

Changes in net assets from operations include all revenues and expenses for the period except for investment income, contributions, forgiveness of debt, other income, loss on investment in real estate partnership, and net assets released from donor restrictions - capital projects.

Accounting for Uncertainty in Income Taxes

The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2019.

Reclassification

Certain amounts relating to the prior year have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the total change in net assets previously reported.

New Accounting Pronouncement

ASU No. 2016-13

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends several aspects of the measurement of credit losses on financial instruments, including replacing the existing incurred credit loss model with the current expected credit loss ("CECL") model and amending certain aspects of accounting for purchased financial assets with deterioration in credit quality since origination. Subsequent to the release of this update, the FASB has issued additional ASUs to provide transition and clarifying guidance as well as to defer the effective date for nonpublic businesses. Under the CECL model, the allowance for losses for financial assets that are measured at amortized cost should reflect management's estimate of credit losses over the remaining expected life of the financial assets. Expected credit losses for newly recognized financial assets, as well as changes to expected credit losses during the period, would be recognized in earnings. For certain purchased financial assets with deterioration in credit quality since origination, an initial allowance would be recorded for expected credit losses and recognized as an increase to the purchase price rather than as an expense. Expected credit losses, including losses on off-balance-sheet exposures such as lending commitments, will be measured based on historical experience, current conditions and forecasts that affect the collectability of the reported amount.

This ASU is effective for all nonpublic entities for annual reporting periods beginning after December 15, 2022.

The Organization does not expect the adoption of ASU No. 2016-13 to have a significant impact on the financial statements.

Note 2 - Revenue from Contracts with Government Agencies

Service Revenue

The Organization receives funding from New York State Office for People with Developmental Disabilities ("OPWDD") to provide services to individuals with developmental disabilities. Revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the support and services. These amounts are due from third-party payors and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations.

Generally, the Organization bills third-party payors after the services are performed or they have completed their portion of the contract. Receivables are due in full when billed, and revenue is recognized as performance obligations are satisfied. Accounts receivable at December 31, 2022 and January 1, 2022 were $867,911 and $368,305, respectively.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Organization in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided based on per diem rates. The Organization believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Organization measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

Because all of its performance obligations relate to contracts with durations of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC Subtopic 606-10-50-14(1) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed and upon submission of required documentation, which is usually at each month-end.

The Organization determines the transaction price based on established rates and contracts for services provided. The initial estimate of the transaction price is determined by reducing the established rates for services provided by any implicit price concessions based on historical collection experience with each government agency and school district. The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payors and service lines. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

Third-Party Payors

Agreements with third-party payors are based on pre-determined rates for established services as they are provided, on a quarterly hour basis.

Note 2 - Revenue from Contracts with Government Agencies (cont'd.)

Significant Judgments

Laws and regulations concerning government programs are complex and subject to varying interpretation. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact, if any, such claims or penalties would have upon the Organization.

From time to time, the Organization will receive overpayments resulting in amounts owed back to the government agency. In addition, contracts that the Organization has with certain government agencies provide for reconciliation and retroactive audit and review of documentation and annual report filings. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of December 31, 2022, the Organization has an estimated liability for amounts due to government agencies of $82,376.

Reimbursement Method

Revenue of $1,991,342 for the year ended December 31, 2022 was recognized as the service transferred over time.

Financing Component

The Organization has elected the practical expedient allowed under FASB ASC Subtopic 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 when 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.

Contract Costs

The Organization has applied the practical expedient provided by FASB ASC Subtopic 340-40-25-4, and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

Note 3 - Concentration of Credit Risk

Substantially all of the Organization's cash balances are maintained in three financial institutions. Such balances are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250,000 per institution. In addition, the Organization's investments are maintained at a financial institution insured through the Securities Investor Protection Corporation ("SIPC") for up to $500,000. At December 31, 2022, and from time to time during the year then ended, the Organization's balances exceeded these limits.

## Note 4 - Fair Value Measurement

The following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at December 31, 2022 as compared to that used at December 31, 2021.

*Mutual Funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded and are categorized as Level 1 of the fair value hierarchy.

The following table presents the Organization's assets that are measured at fair value on a recurring basis at December 31, 2022:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Investments: | | | | |
| Mutual Funds | $ 1,978,830 | $ 1,978,830 | $ - | $ - |

## Note 5 - Paycheck Protection Program Loan

In April 2021, the Organization entered into a $205,367 loan agreement with a financial institution under the Paycheck Protection Program (the "Program"), established by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, administered by the Small Business Administration ("SBA") with support from the Department of the Treasury. In August 2022, the Organization applied for and was granted forgiveness for the full amount of the loan. As a result, the loan forgiveness is reported on the statement of activities for the year ended December 31, 2022.

## Note 6 - Purpose Restricted Net Assets

Purpose restricted net assets consist of the following at December 31, 2022:

| | |
|---|---|
| Capital projects | $ 316,262 |
| Program development | 235,965 |
| | $ 552,227 |

Purpose restricted net assets were released from restrictions by incurring expenses satisfying the following purposes for the year ended December 31, 2022:

| | |
|---|---|
| Capital projects | $ 69,240 |

## Note 7 - Endowments

The Organization's endowment consists of three individual donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

### Interpretation of Relevant Law

The Organization interprets New York State law, the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. Currently, there are no provisions in donor gift instruments that provide for any other accumulations to the permanent endowments.

It is the Organization's policy that any remaining portion of the donor-restricted endowment funds is classified as time restricted until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA. The amounts appropriated for expenditure represent amounts that were spent within the year in satisfying the purpose restriction. The Organization has considered the following factors in making a determination to appropriate or calculate donor-restricted endowment funds:

1. Duration of the fund
2. General purposes of the Organization and the donor-restricted endowment funds
3. General economic conditions
4. Possible effect of inflation or deflation
5. Expected total return from income and appreciation of investments
6. Other resources of the Organization
7. Investment policy of the Organization

### Return Objectives, Strategies Employed and Spending Policy

The objective of the Organization is to maintain the principal endowment funds at the original amount designated by the donor while generating income. Interest earned in relation to the endowment funds is recorded as net assets with donor restrictions and released from restriction upon expenditure for the program for which the endowment fund was established. The Organization's policy is to calculate the 12-quarter average value of the endowment funds as of June 30 to approve an appropriation up to 5%, and in special circumstances up to 7%, for the spending in the upcoming year. The Board did not approve an appropriation for the year ended December 31, 2022.

Note 7 - Endowments (cont'd.)

Endowment Net Asset Composition by Type of Fund as of December 31, 2022

| | With Donor Restrictions | | |
|---|---|---|---|
| | Accumulated Earnings | Original Donor Gift | Total |
| Eisenberg Scholarship Fund | $ 46,420 | $ 98,577 | $ 144,997 |
| Charles A. and Mary De Bare Fund | 253,737 | 538,831 | 792,568 |
| Clara Rabinowitz Scholarship Fund | 23,546 | 50,000 | 73,546 |
| | $ 323,703 | $ 687,408 | $ 1,011,111 |

Changes in Endowment Net Assets for the Year Ended December 31, 2022

| | With Donor Restrictions | | |
|---|---|---|---|
| | Accumulated Earnings | Original Donor Gift | Total |
| Endowment net assets, beginning of year | $ 439,231 | $ 687,408 | $ 1,126,639 |
| Reclassification | 68,116 | - | 68,116 |
| Investment loss, net | (183,644) | - | (183,644) |
| Endowment net assets, end of year | $ 323,703 | $ 687,408 | $ 1,011,111 |

Funds with Deficiencies

The Organization does not have any funds with deficiencies.

Note 8 - Leases

The Organization's right-of-use assets and lease liabilities relate to office space.

Lease components in the Organization's leases are accounted for following the guidance in ASC 842 for the capitalization of long-term leases. At December 31, 2022, the lease liability is equal to the present value of the remaining lease payments, discounted using the U.S. Treasury rate constant maturity at each lease commencement date.

Note 8 - Leases (cont'd.)

Lease activity for the year ended December 31, 2022 was as follows:

| | |
|---|---|
| Lease cost: | |
| Operating lease cost | $ 57,415 |
| | |
| Other information: | |
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows from operating leases | $ 57,415 |
| Weighted-average remaining lease term: | |
| Operating lease | 1.41 years |
| Weighted-average discount rate: | |
| Operating lease | 1.62% |

Future minimum lease payments and reconciliation to the statement of financial position at December 31, 2022 are as follows:

| Years Ending December 31: | Operating Leases |
|---|---|
| 2023 | $ 33,418 |
| 2024 | 11,139 |
| Total future minimum undiscounted lease payments | 44,557 |
| Less: Amount representing interest | 101 |
| Present value of future payments | 44,456 |
| Less: Current obligations | 33,324 |
| Long-term obligations | $ 11,132 |

Note 9 - Contingencies

The SBA may elect to undertake an audit of the Organization's PPP loan.

Note 10 - Availability and Liquidity

The following represents the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general use within one year. Total financial assets available to meet cash needs for general expenditures within one year at December 31, 2022 are as follows:

| | |
|---|---|
| Cash and cash equivalents | $ 860,068 |
| Investments | 1,978,830 |
| Accounts receivable | 867,911 |
| Total financial assets | 3,706,809 |
| Less: Internal or donor-imposed restrictions | |
| Board designated | 65,251 |
| Purpose restricted | 552,227 |
| Endowments | 1,011,111 |
| Financial assets available to meet cash needs for general expenditures within one year | $ 2,078,220 |

There are board-designated reserves of $65,251 at December 31, 2022. Although the Organization does not intend to spend from these reserves, these amounts could be made available if necessary.

The Organization's goal is to maintain financial assets to meet one year of operating expenses. As part of its liquidity management, the Organization has a policy to structure financial assets to be available as general expenditures, liabilities and other obligations come due.

Note 11 - Subsequent Events

The Organization has evaluated all events or transactions that occurred after December 31, 2022 through July 31, 2023, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.