# CARE FOR THE
# HOMELESS AND AFFILIATES

Care
For the
Homeless

## Consolidated Financial Statements
## (Together with Independent Auditors' Report)

## Years Ended December 31, 2022 and 2021

## and

## Single Audit Reports and Schedule as Required by the Office of Management and Budget Uniform Guidance

## For the Year Ended December 31, 2022

# CARE FOR THE HOMELESS AND AFFILIATES
# CONSOLIDATED FINANCIAL STATEMENTS
## (Together with Independent Auditors' Report)

## YEARS ENDED DECEMBER 31, 2022 AND 2021

## AND

## SINGLE AUDIT REPORTS AND SCHEDULE AS REQUIRED BY THE OFFICE OF MANAGEMENT AND BUDGET UNIFORM GUIDANCE

## FOR THE YEAR ENDED DECEMBER 31, 2022

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# INDEPENDENT AUDITORS' REPORT

The Board of Directors
Care for the Homeless and Affiliates
New York, NY

**Report on the Audit of the Consolidated Financial Statements**

***Opinion***

We have audited the consolidated financial statements of Care for the Homeless and Affiliates (collectively, the "Organization"), which comprise the consolidated statements of financial position as of December 31, 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 financial position of the Organization as of December 31, 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") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Change in Accounting Principle***

As discussed in Note 2R to the consolidated financial statements, the Organization changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective January 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

***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 consolidated 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 the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

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***Auditors' 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 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 GAAS and *Government 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 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards,* we have also issued our report dated September 21, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Mayer Hoffman McCann CPAs

New York, NY
September 21, 2023

**CARE FOR THE HOMELESS AND AFFILIATES**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**AS OF DECEMBER 31, 2022 AND 2021**

| | 2022 | 2021 |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash and cash equivalents (Notes 2D and 13A) | $ 564,726 | $ 1,034,050 |
| Investments (Notes 2E, 4 and 5) | 1,943,174 | 2,350,040 |
| Government grants and contracts receivable (Notes 2F, 2H and 14) | 18,871,732 | 8,467,465 |
| Accounts receivable - patients, net (Notes 2G, 2H and 6) | 1,322,572 | 913,138 |
| Contributions receivable (Notes 2H and 2O) | 108,120 | 402,901 |
| Prepaid expenses and other assets | 108,511 | 123,400 |
| Total current assets | 22,918,835 | 13,290,994 |
| Escrow deposits (Note 2I) | 27,548 | 27,548 |
| Property and equipment, net (Notes 2J and 7) | 50,164,388 | 9,430,353 |
| Operating lease right-of-use assets (Notes 2R and 9) | 25,558,675 | - |
| **TOTAL ASSETS** | $ 98,669,446 | $ 22,748,895 |
| **LIABILITIES** | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | $ 8,577,199 | $ 4,161,305 |
| Refundable advances from grantors (Note 2F) | 6,228,235 | 5,236,041 |
| Deferred revenues (Note 2K) | 33,000 | 108,787 |
| Operating lease liability - current (Notes 2R and 9) | 4,565,067 | - |
| Loans payable - current (Note 8) | 1,119,261 | 973,298 |
| Total current liabilities | 20,522,762 | 10,479,431 |
| Deferred rent (Notes 2L and 9) | - | 1,484,169 |
| Operating lease liability (Notes 2R and 9) | 22,346,275 | - |
| Loans payable (Note 8) | 47,502,788 | 6,216,168 |
| **TOTAL LIABILITIES** | 90,371,825 | 18,179,768 |
| **COMMITMENTS AND CONTINGENCIES** (Note 9) | | |
| **NET ASSETS** | | |
| Without donor restrictions (Note 2C) | 8,202,623 | 3,337,647 |
| With donor restrictions (Notes 2C and 11) | 94,998 | 1,231,480 |
| **TOTAL NET ASSETS** | 8,297,621 | 4,569,127 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 98,669,446 | $ 22,748,895 |

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

**CARE FOR THE HOMELESS AND AFFILIATES**
**CONSOLIDATED STATEMENTS OF ACTIVITIES**
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | For the Year Ended December 31, 2022 | | | For the Year Ended December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total 2022 | Without Donor Restrictions | With Donor Restrictions | Total 2021 |
| **REVENUE** | | | | | | |
| Net patient services revenues (net of contractual allowances) (Note 2M) | $ 4,177,309 | $ - | $ 4,177,309 | $ 4,332,200 | $ - | $ 4,332,200 |
| Public Health Services Section 330(h) - contract (Notes 2F and 13B) | 8,073,835 | - | 8,073,835 | 8,164,008 | - | 8,164,008 |
| NYC Department of Homeless Services - contract (Notes 2F and 13B) | 19,539,503 | - | 19,539,503 | 9,064,944 | - | 9,064,944 |
| Other grants and contracts (Notes 2F and 14) | 8,299,743 | - | 8,299,743 | 10,720,244 | - | 10,720,244 |
| Total government grants and contracts revenue | 35,913,081 | - | 35,913,081 | 27,949,196 | - | 27,949,196 |
| Net investment (loss) return (Note 4) | (406,128) | - | (406,128) | 220,279 | - | 220,279 |
| Contributions (Note 2O) | 697,072 | - | 697,072 | 352,153 | 1,017,717 | 1,369,870 |
| Other income | 694,723 | - | 694,723 | 687,928 | - | 687,928 |
| Paycheck Protection Program loan forgiveness (Note 8) | - | - | - | 1,208,028 | - | 1,208,028 |
| Gain (loss) on fixed assets disposal (Note 7) | 17,833 | - | 17,833 | (202,458) | - | (202,458) |
| Net assets released from restrictions | 1,136,482 | (1,136,482) | - | 390,691 | (390,691) | - |
| Total support and other income | 2,139,982 | (1,136,482) | 1,003,500 | 2,656,621 | 627,026 | 3,283,647 |
| **TOTAL REVENUE** | 42,230,372 | (1,136,482) | 41,093,890 | 34,938,017 | 627,026 | 35,565,043 |
| **EXPENSES** | | | | | | |
| Program services: | | | | | | |
| Medical clinics | 14,758,485 | - | 14,758,485 | 14,112,760 | - | 14,112,760 |
| Residential services | 15,311,735 | - | 15,311,735 | 13,735,357 | - | 13,735,357 |
| Total program services | 30,070,220 | - | 30,070,220 | 27,848,117 | - | 27,848,117 |
| Supporting services: | | | | | | |
| Management and general | 5,655,644 | - | 5,655,644 | 5,003,024 | - | 5,003,024 |
| Fundraising and development | 415,026 | - | 415,026 | 388,935 | - | 388,935 |
| Total supporting services | 6,070,670 | - | 6,070,670 | 5,391,959 | - | 5,391,959 |
| **TOTAL EXPENSES** | 36,140,890 | - | 36,140,890 | 33,240,076 | - | 33,240,076 |
| **CHANGE IN NET ASSETS BEFORE DEPRECIATION AND AMORTIZATION** | 6,089,482 | (1,136,482) | 4,953,000 | 1,697,941 | 627,026 | 2,324,967 |
| Depreciation and amortization | (1,224,506) | - | (1,224,506) | (1,097,369) | - | (1,097,369) |
| **CHANGE IN NET ASSETS** | 4,864,976 | (1,136,482) | 3,728,494 | 600,572 | 627,026 | 1,227,598 |
| Net assets - beginning of year | 3,337,647 | 1,231,480 | 4,569,127 | 2,737,075 | 604,454 | 3,341,529 |
| **NET ASSETS - END OF YEAR** | $ 8,202,623 | $ 94,998 | $ 8,297,621 | $ 3,337,647 | $ 1,231,480 | $ 4,569,127 |

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

**CARE FOR THE HOMELESS AND AFFILIATES**
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(With Comparative Totals for the Year Ended December 31, 2021)**

| | Program Services | | | Supporting Services | | | | |
|---|---|---|---|---|---|---|---|---|
| | Medical Clinics | Residential Services | Total Program Services | Management and General | Fundraising and Development | Total Supporting Services | 2022 Total | 2021 Total |
| Salaries | $ 6,620,241 | $ 4,229,853 | $ 10,850,094 | $ 2,955,403 | $ 253,850 | $ 3,209,253 | $ 14,059,347 | $ 12,695,810 |
| Payroll taxes and employee benefits (Note 12) | 1,324,048 | 1,015,165 | 2,339,213 | 619,193 | 50,770 | 669,963 | 3,009,176 | 3,111,171 |
| Total salaries and related costs | 7,944,289 | 5,245,018 | 13,189,307 | 3,574,596 | 304,620 | 3,879,216 | 17,068,523 | 15,806,981 |
| Contract Labor/Purchase Services. | 2,522,797 | 1,590,636 | 4,113,433 | 249,125 | 80,544 | 329,669 | 4,443,102 | 4,409,567 |
| Consulting and professional services | 488,927 | 1,648,567 | 2,137,494 | 530,071 | - | 530,071 | 2,667,565 | 3,442,372 |
| Laboratory | 459,466 | - | 459,466 | - | - | - | 459,466 | 173,332 |
| Consumable supplies | 1,584,993 | 1,169,912 | 2,754,905 | 44,152 | 4,217 | 48,369 | 2,803,274 | 2,415,902 |
| Occupancy (Note 9) | 251,878 | 4,294,687 | 4,546,565 | 428,166 | - | 428,166 | 4,974,731 | 3,735,415 |
| Travel expenses | 69,071 | 89,153 | 158,224 | 40,016 | 431 | 40,447 | 198,671 | 187,949 |
| Maintenance, repairs and equipment | 152,608 | 420,564 | 573,172 | 96,425 | 3,454 | 99,879 | 673,051 | 923,930 |
| Insurance | 2,296 | 95,321 | 97,617 | 149,165 | - | 149,165 | 246,782 | 410,583 |
| Telecommunication | 164,073 | 90,234 | 254,307 | 93,850 | 495 | 94,345 | 348,652 | 407,483 |
| Membership and dues | 302,468 | 9,622 | 312,090 | 169,545 | 14,478 | 184,023 | 496,113 | 458,220 |
| Publication, printing, and postage | 7,823 | 13,882 | 21,705 | 22,216 | 6,726 | 28,942 | 50,647 | 40,080 |
| Recruitment/publication | 294,359 | - | 294,359 | 146,995 | - | 146,995 | 441,354 | 210,636 |
| Fundraising | 108 | - | 108 | 2,581 | 61 | 2,642 | 2,750 | 1,946 |
| Interest (Note 8) | - | 400,837 | 400,837 | 108,741 | - | 108,741 | 509,578 | 455,235 |
| Miscellaneous | 513,329 | 243,302 | 756,631 | - | - | - | 756,631 | 160,445 |
| Total operating expenses before depreciation | 14,758,485 | 15,311,735 | 30,070,220 | 5,655,644 | 415,026 | 6,070,670 | 36,140,890 | 33,240,076 |
| Depreciation (Note 7) | 359,115 | 839,709 | 1,198,824 | 25,682 | - | 25,682 | 1,224,506 | 1,097,369 |
| **TOTAL EXPENSES** | $ 15,117,600 | $ 16,151,444 | $ 31,269,044 | $ 5,681,326 | $ 415,026 | $ 6,096,352 | $ 37,365,396 | $ 34,337,445 |

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

**CARE FOR THE HOMELESS AND AFFILIATES**
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Program Services | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|
| | Medical Clinics | Residential Services | Total Program Services | Management and General | Fundraising and Development | Total Supporting Services | Total |
| Salaries | $ 6,269,409 | $ 3,884,254 | $ 10,153,663 | $ 2,284,158 | $ 257,989 | $ 2,542,147 | $ 12,695,810 |
| Payroll taxes and employee benefits (Note 12) | 1,531,896 | 949,102 | 2,480,998 | 567,133 | 63,040 | 630,173 | 3,111,171 |
| Total salaries and related costs | 7,801,305 | 4,833,356 | 12,634,661 | 2,851,291 | 321,029 | 3,172,320 | 15,806,981 |
| Contract labor/purchase Services. | 3,197,690 | 1,211,877 | 4,409,567 | - | - | - | 4,409,567 |
| Consulting and professional services | 435,869 | 2,181,320 | 2,617,189 | 819,679 | 5,504 | 825,183 | 3,442,372 |
| Laboratory | 173,332 | - | 173,332 | - | - | - | 173,332 |
| Consumable supplies | 1,500,616 | 870,909 | 2,371,525 | 42,831 | 1,546 | 44,377 | 2,415,902 |
| Occupancy (Note 9) | 149,489 | 3,164,592 | 3,314,081 | 402,374 | 18,960 | 421,334 | 3,735,415 |
| Travel expenses | 69,715 | 86,267 | 155,982 | 30,840 | 1,127 | 31,967 | 187,949 |
| Maintenance, repairs and equipment | 179,726 | 574,608 | 754,334 | 165,733 | 3,863 | 169,596 | 923,930 |
| Insurance | 17,528 | 231,945 | 249,473 | 145,402 | 15,708 | 161,110 | 410,583 |
| Telecommunication | 156,710 | 83,263 | 239,973 | 162,065 | 5,445 | 167,510 | 407,483 |
| Membership and dues | 339,638 | 12,353 | 351,991 | 96,442 | 9,787 | 106,229 | 458,220 |
| Publication, printing, and postage | 18,813 | 8,358 | 27,171 | 7,178 | 5,731 | 12,909 | 40,080 |
| Recruitment/publication | 71,600 | - | 71,600 | 139,036 | - | 139,036 | 210,636 |
| Fundraising | 729 | - | 729 | 982 | 235 | 1,217 | 1,946 |
| Interest (Note 8) | - | 448,664 | 448,664 | 6,571 | - | 6,571 | 455,235 |
| Miscellaneous | - | 27,845 | 27,845 | 132,600 | - | 132,600 | 160,445 |
| Total operating expenses before depreciation | 14,112,760 | 13,735,357 | 27,848,117 | 5,003,024 | 388,935 | 5,391,959 | 33,240,076 |
| Depreciation (Note 7) | 69,068 | 861,473 | 930,541 | 166,828 | - | 166,828 | 1,097,369 |
| **TOTAL EXPENSES** | $ 14,181,828 | $ 14,596,830 | $ 28,778,658 | $ 5,169,852 | $ 388,935 | $ 5,558,787 | $ 34,337,445 |

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

**CARE FOR THE HOMELESS AND AFFILIATES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | 2022 | 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Change in net assets | $ 3,728,494 | $ 1,227,598 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,224,506 | 1,097,369 |
| Reduction in carrying amount of right of use assets - operating leases | 3,651,810 | - |
| (Gain) Loss from fixed assets disposal | (17,833) | 202,458 |
| Net realized and unrealized loss (gain) on investments | 435,536 | (195,676) |
| Forgiveness of Paycheck Protection Program loan | - | (1,208,028) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in assets: | | |
| Government grants and contracts receivable | (10,404,267) | 1,795,480 |
| Accounts receivable - patients | (409,434) | 29,059 |
| Contributions receivable | 294,781 | (302,401) |
| Prepaid expenses and other assets | 14,889 | 114,047 |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | 4,415,894 | 86,166 |
| Refundable advances from grantors | 992,194 | (748,660) |
| Deferred revenues | (75,787) | 7,961 |
| Deferred rent | (1,484,169) | (266,033) |
| Operating lease liability | (2,299,143) | - |
| **Net Cash Provided by Operating Activities** | 67,471 | 1,839,340 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchase of investments | (626,229) | (504,983) |
| Proceeds from sale of investments | 597,559 | 481,134 |
| Purchases of property and equipment | (41,973,938) | (1,685,254) |
| Proceeds from sales of property and equipment | 33,230 | - |
| **Net Cash Used in Investing Activities** | (41,969,378) | (1,709,103) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Repayment of loan payable | (617,417) | (566,050) |
| Loan proceeds received | 42,050,000 | 700,000 |
| **Net Cash Provided by Financing Activities** | 41,432,583 | 133,950 |
| **NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH** | (469,324) | 264,187 |
| Cash, Cash Equivalents and Restricted Cash - beginning of year | 1,061,598 | 797,411 |
| **CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR** | $ 592,274 | $ 1,061,598 |
| **Supplemental Disclosure of Cash Flow Information:** | | |
| Cash paid during the year for interest | $ 455,235 | $ 455,235 |
| **Non-Cash Financing Activity:** | | |
| Forgiveness of Paycheck Protection Program loan | $ - | $ 1,208,028 |

## NOTE 1 – ORGANIZATION AND TAX STATUS

Care for the Homeless ("CFH") provides, coordinates and arranges primary care, health education, HIV counseling and testing, early intervention services for those infected with HIV/AIDS, social services and behavioral health services to homeless people at more than 24 homeless clinics, shelters, soup kitchens and drop-in centers. CFH is licensed by the New York State Department of Health under Article 28 of the Public Health Law to operate clinics as diagnostic and treatment centers, which are designated as federally qualified health centers. CFH's outreach team members also address the long-range needs of homeless people by improving their access to services and public benefits and helping them develop necessary life skills and advocating for appropriate public policies.

CFH's affiliate, Jerome Avenue Care for the Homeless Housing Development Fund Corporation ("Jerome"), operates Susan's Place, a 200-bed transitional residential shelter. Jerome has a net asset deficiency (without donor restrictions) of $1,469,136 and $1,812,186 at December 31, 2022 and 2021, respectively. CFH has advanced funds to Jerome to assist in meeting Jerome's operating needs and will continue to do so as necessary. Based on this funding, as well as Jerome's projected revenues and expenses, Jerome believes it will continue to meet its obligations through 2022.

CFH's affiliate, Blondell Avenue Housing Development Fund Corporation ("Blondell Avenue"), was incorporated in 2022. The Site is currently under construction.

CFH's affiliate, 91 East Broadway Housing Development Fund Corporation ("91 East Broadway"), was incorporated in 2022. The Site is currently under renovation.

CFH, Jerome Avenue, Blondell Avenue, and 91 East Broadway (collectively, "the Organization"), are not-for-profit corporations, which are tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. The corporations are also exempt from state and local taxes.

The consolidated financial statements include the activities and net assets of CFH, Blondell Avenue, 91 East Broadway and Jerome. CFH is a sole member of Jerome Avenue Care for the Homeless Housing Development Fund Corporation, Blondell Avenue Housing Development Fund Corporation and 91 East Broadway Housing Development Fund Corporation.

In 2022, the Organization provided services to more than 9,697 homeless men, women and children.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates*** - The Organization's consolidated financial statements have been prepared on the accrual basis of accounting. The Organization adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of consolidated financial statements in conformity with U.S. GAAP requires the Organization's management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the consolidated financial statements. Actual results could differ from those estimates.

B. ***Principles of Consolidation*** - The consolidated financial statements include the activities of CFH, Jerome, Blondell Avenue and 91 East Broadway. All significant intercompany balances and transactions have been eliminated in consolidation.

C. ***Basis of Presentation*** - The Organization maintains its net assets under the following two classes:

- Net assets without donor restrictions – represents net assets that are not subject to donor-imposed stipulations.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- Net assets with donor restrictions – represents net assets subject to donor-imposed stipulations that will be met either by actions of the Organization or the passage of time. When a stipulated time restriction ends or purpose restriction is accomplished, such 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. The Organization reports donor restricted contributions as an increase in net assets without donor restrictions, provided the restrictions are met in the same year the contributions are received.

D. ***Cash, Cash Equivalents and Restricted Cash*** - The Organization considers all highly liquid instruments acquired with maturities of three months or less to be cash equivalents. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash and cash equivalents | $ 564,726 | $ 1,034,050 |
| Escrow deposits | 27,548 | 27,548 |
| Total | $ 592,274 | $ 1,061,598 |

E. ***Investments and Fair Value Measurements*** - Investments are recorded at fair value. Fair value measurements are the prices 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

F. ***Government Grants*** - Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors and in accordance with Accounting Standards Update ("ASU") 2018-08. To the extent amounts received exceed amounts spent, the Organization establishes refundable advances from governmental sources. Any revenue for contracts that has not yet been earned is reclassified as refundable advances from grantors on the consolidated statements of financial position.

G. ***Accounts Receivable - Patients*** - The collection of receivables from third-party payors and patients is the Organization's primary source of cash for operations and is critical to its operating performance.

H. ***Allowance for Uncollectible Receivables*** - The Organization determines whether an allowance for uncollectible receivables should be provided based on management's assessment of the aged basis of its receivables, creditworthiness of its donors and borrowers, current economic conditions and historical information. As of December 31, 2022 and 2021, the Organization determined that an allowance of $6,408,867 and $1,658,476, respectively, and contractual allowances of $3,718,058 and $2,135,284, respectively, were necessary for accounts receivable – patients net and no allowance was necessary for government grants and contracts receivable. The Organization generally does not charge interest on past due accounts. Accounts receivable – patients net are written off when deemed uncollectible. As of December 31, 2022 and 2021, the Organization determined that no allowance was necessary for contributions receivable.

I. ***Escrow Deposits*** - Cash in escrow deposits represents cash being held in a maintenance fund, which is required by the Low-Income Investment Fund (Note 8).

J. ***Property and Equipment*** - Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the lease. The Organization capitalizes all property and equipment having a cost of $1,000 or more and a useful life of at least one year.

K. ***Deferred Revenues*** - Fees collected that relate to programs and/or events that will occur in future periods have been recorded as deferred revenues and will be recognized in the period earned.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. ***Deferred Rent*** - The Organization leases real property under various operating leases. Rent expense is recorded on the straight-line basis. The portion of rent expense accrued due to straight-lining of the lease is reflected as deferred rent on the accompanying consolidated statements of financial position prior to the adoption of Financial Accounting Standards Board ("FASB") ASU 2016-02, *Leases,* (Topic 842) as of January 1, 2022 (See Note 2R).

M. ***Patient Services Revenue*** - The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include predetermined fee schedules and discounted charges. Service fees are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors, which are subject to audit by administrating agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined. The Organization provides care to certain patients under Medicaid and Medicare payment arrangements. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review.

Self-pay revenue is recorded at published charges with charitable care deducted to arrive at gross self-pay patient revenue. Contractual allowances are then deducted to arrive at net self-pay patient revenue before provision for doubtful accounts.

The Organization bills government agencies, third-party payors and individuals 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.

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. This method depicts 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. All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of December 31, 2022 and 2021. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. The Organization determines the transaction price based on established rates and contracts for services provided. Program service fees consist of revenues for the following programs:

Patient revenue services as of December 31, 2022 consists of the following:

| | Gross Charges | Contractual and Charitable Allowance and Price Concessions | Net Patient Service Revenue |
|---|---|---|---|
| Medicaid | $ 1,233,074 | $ (90,640) | $ 1,142,434 |
| Medicaid Managed Care | 2,677,763 | (1,950,751) | 727,012 |
| Medicare | 709,685 | (470,534) | 239,151 |
| Commercial | 312,898 | (205,511) | 107,387 |
| Self-pay | 2,758,360 | (2,758,360) | - |
| Total | | | 2,215,984 |
| New York State Medicaid Wrap | | | 1,224,157 |
| Safety Net payment | | | 727,986 |
| COVID Vaccination | | | 4,160 |
| COVID Human Resources & Services Administration | | | 5,022 |
| Total | | | $ 4,177,309 |

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Patient revenue services as of December 31, 2021 consists of the following:

| | Gross Charges | Contractual and Charitable Allowance and Price Concessions | Net Patient Service Revenue |
|---|---|---|---|
| Medicaid | $ 1,159,675 | $ (81,724) | $ 1,077,951 |
| Medicaid Managed Care | 2,861,853 | (1,954,654) | 907,199 |
| Medicare | 618,184 | (421,281) | 196,903 |
| Commercial | 253,383 | (182,685) | 70,698 |
| Self-pay | 1,749,687 | (1,749,687) | - |
| Total | | | 2,252,751 |
| New York State Medicaid Wrap | | | 1,202,733 |
| Safety Net payment | | | 809,903 |
| COVID | | | 51,800 |
| COVID Human Resources & Services Administration | | | 15,013 |
| Total | | | $ 4,332,200 |

N. ***Charity Care*** - The Organization is open to all patients, regardless of their ability to pay. In the ordinary course of business, the Organization renders services to patients who are financially unable to pay for healthcare. The Organization provides care to these patients who meet certain criteria under its sliding fee discount policy without charge or at amounts less than the established rates. Because the Organization does not pursue a collection of amounts determined to qualify as charity care, they are not reported as revenue.

The costs associated with the charitable care services provided are estimated by applying the cost-to charge ratio from the most recently filed cost report to the amount of the gross uncompensated charges for the patients receiving charity care net of Safety Net payment. Total such costs amounted to $587,764 and $620,860 for the years ended December 31, 2022 and 2021, respectively.

O. ***Contributions*** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Contributions receivable as of December 31, 2022 and 2021 are due within one year.

All contributions are considered to be without donor restrictions use unless specifically restricted by the donor. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

P. ***Donated Services*** - Donated services are reported as contributions when the services create or enhance nonfinancial assets, require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind. Board members and other individuals volunteer their time and perform a variety of tasks that assist the Organization. These services have not been recorded in the consolidated financial statements as they do not meet the criteria outlined above. There were no donated services during the years ended December 31, 2022 and 2021.

Q. ***Functional Allocation of Expenses*** - The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on usage or other equitable bases established by management. The expenses that are allocated include salaries and payroll taxes and employee benefits, which are allocated on the basis of time and effort, and occupancy, depreciation, insurance, and interest expense, which are allocated on a square footage basis.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. ***Recent Accounting Pronouncements*** - The Organization adopted FASB ASU 2016-02, *Leases* (Topic 842). The ASU requires organizations that lease assets to recognize the present value of the assets and liabilities for the rights and obligations created by those leases. The Organization adopted Topic 842 as of January 1, 2022 as the initial adoption and utilized all of the available practical expedients, which required the recognition of lease assets and liabilities as of that date. As of January 1, 2022, the ROU assets amounted to $29,177,323 and lease obligations amounted to $30,661,491. The adoption of Topic 842 had no effect on the change in net assets as previously reported.

## NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, within one year of the consolidated statements of financial position dates, comprise the following:

| | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents | $ 564,726 | $ 1,034,050 |
| Investments | 1,943,174 | 2,350,040 |
| Contributions receivable | 108,120 | 402,901 |
| Government grants and contracts receivable | 18,871,732 | 8,467,465 |
| Accounts receivable – patients, net | 1,322,572 | 913,138 |
| Total | 22,810,324 | 13,167,594 |
| Less: Net assets with donor restrictions | (94,998) | (1,231,480) |
| Total | $ 22,715,326 | $ 11,936,114 |

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in short-term, liquid investments. In addition, the Organization has a maximum line of credit totaling $1,900,000 with a financial institution (Note 10B), which can be drawn upon if needed.

## NOTE 4 – INVESTMENTS

Investments consist of the following as of December 31:

| | 2022 | 2021 |
|---|---|---|
| Money market funds | $ 80,338 | $ 60,405 |
| Mutual funds | 373,659 | 481,040 |
| U.S. Government bonds | 104,067 | 299,775 |
| Corporate bonds | 275,479 | 164,703 |
| Equities | 1,109,631 | 1,344,117 |
| | $ 1,943,174 | $ 2,350,040 |

Investment (loss) return consists of the following for the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| Interest and dividends | $ 49,998 | $ 46,220 |
| Realized gain | 60,359 | 87,965 |
| Unrealized (loss) gain | (495,895) | 107,711 |
| Investment expenses | (20,590) | (21,617) |
| Net Investment (loss) Return | $ (406,128) | $ 220,279 |

## NOTE 5 – FAIR VALUE MEASUREMENTS

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Investments in money market funds, mutual funds and equities are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in government bonds and corporate bonds are valued using quoted prices in inactive markets (Level 2). Level 2 instrument valuations are obtained from similar assets or model derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. Investments are subject to market volatility which could substantially change their fair values in the near term.

Financial assets carried at fair value as of December 31, 2022 are measured by fair value hierarchy level as follows:

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| Money market funds | $ 80,338 | $ - | $ 80,338 |
| Mutual funds | 373,659 | - | 373,659 |
| U.S. Government bonds | - | 104,067 | 104,067 |
| Corporate bonds | 275,479 | - | 275,479 |
| Equities | 1,109,631 | - | 1,109,631 |
| | $ 1,839,107 | $ 104,067 | $ 1,943,174 |

Financial assets carried at fair value as of December 31, 2021 are measured by fair value hierarchy level as follows:

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| Money market funds | $ 60,405 | $ - | $ 60,405 |
| Mutual funds | 481,040 | - | 481,040 |
| U.S. Government bonds | - | 299,775 | 299,775 |
| Corporate bonds | 164,703 | - | 164,703 |
| Equities | 1,344,117 | - | 1,344,117 |
| | $ 2,050,265 | $ 299,775 | $ 2,350,040 |

## NOTE 6 – ACCOUNTS RECEIVABLE – PATIENTS, NET

Patient services receivable consist of the following as of December 31, 2022:

| | Gross Charges | Contractual and Charitable Allowance and Price Concessions | Net Patient Service Receivable |
|---|---|---|---|
| Medicaid | $ 449,080 | $ (326,571) | $ 122,509 |
| Medicaid Managed Care | 3,331,367 | (3,138,522) | 192,845 |
| Medicare | 1,545,295 | (1,403,354) | 141,941 |
| Commercial | 517,237 | (393,124) | 124,113 |
| New York State Medicaid Wrap | 970,497 | (942,992) | 27,505 |
| Self Pay | 3,922,362 | (3,922,362) | - |
| Total | 10,735,838 | (10,126,925) | 608,913 |
| Safety Net payment | | | 713,659 |
| Total | | | $ 1,322,572 |

Patient services receivable consist of the following as of December 31, 2021:

| | Gross Charges | Contractual and Charitable Allowance and Price Concessions | Net Patient Service Receivable |
|---|---|---|---|
| Medicaid | $ 764,894 | $ (515,833) | $ 249,061 |
| Medicaid Managed Care | 1,729,315 | (1,405,810) | 323,505 |
| Medicare | 557,587 | (526,889) | 30,698 |
| Commercial | 188,225 | (181,225) | 7,000 |
| Self Pay | 1,164,003 | (1,164,003) | - |
| Total | 4,404,024 | (3,793,760) | 610,264 |
| Safety Net payment | | | 251,074 |
| COVID Vaccination | | | 51,800 |
| Total | | | $ 913,138 |

## NOTE 7 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following as of December 31:

| | 2022 | 2021 | Estimated Useful Lives |
|---|---|---|---|
| Land | $ 3,777,810 | $ - | |
| Buildings | 36,822,190 | - | 40 Years |
| Furniture and equipment | 2,826,639 | 2,822,345 | 5 Years |
| Leasehold improvements | 17,981,327 | 14,852,657 | 10 - 21 Years |
| Vehicles | 392,634 | 388,697 | 5 Years |
| Construction in progress | 727,719 | 2,532,868 | |
| | 62,528,319 | 20,596,567 | |
| Less: Accumulated depreciation | (12,363,931) | (11,166,214) | |
| | $ 50,164,388 | $ 9,430,353 | |

**NOTE 7 – PROPERTY AND EQUIPMENT, NET (Continued)**

For the years ended December 31, 2022 and 2021, depreciation expense amounted to $1,224,506 and $1,097,369, respectively. During the year ended December 31, 2022, the Organization sold $42,186 of property and equipment with accumulated depreciation of $26,789 for $33,230. The Organization recorded a gain of $17,833 from the sale and it's included in the accompanying consolidated statements of activities.

During the year ended December 31, 2021, the Organization wrote off and recorded a loss of $202,458 from fixed assets disposal included in the accompanying consolidated statements of activities.

On December 29, 2022, 91 East Broadway closed the purchase of the property including land for $40,600,000. The cost of purchase is included in property and equipment as of December 31, 2022. The property is currently under construction. It will be a Safe Haven for eligible Homeless populations when it is placed into operation. The property also has a Federal Qualified Health Center.

**NOTE 8 – LOANS PAYABLE**

In 2007, Jerome borrowed $10,077,137 from the Low-Income Investment Fund to finance the construction of Susan's Place. The loan is being paid by the DHS directly to the Low-Income Investment Fund as part of the debt service component of the reimbursement for the operations of Susan's Place. As of December 31, 2022 and 2021, there was $4,616,168 and $5,233,585 outstanding, respectively. The interest rate is fixed at 8.09% and interest expense was $400,837 and $448,664 for the years ended December 31, 2022 and 2021, respectively. The loan matures on August 1, 2028 and the improvements, which are carried as leasehold improvements, are collateral for the Low-Income Investment Fund loan. As part of the loan, Jerome is required to contribute $10,000 annually into a maintenance fund (Note 2I). These funds can be used as needed for capital expenditures.

In addition, the Organization borrowed $2,150,000 and $1,600,000 from its existing line of credit as of December 31, 2022 and 2021, respectively (Note 10B).

On December 29, 2022, 91 East Broadway received an acquisition loan of $23,650,000 from a financial institution for the purchase of a property including land. The property will be a Safe Haven for eligible Homeless populations when it is placed into operation. The loan is subject to a fixed interest rate of 5.91% per annum. The loan has a maturity date of December 1, 2053. Monthly interest only payments commence on the first day of the first month following the closing date. The Payment of the principal commences on January 1, 2024. As of December 31, 2022, the outstanding loan balance is $23,650,000.

On December 29, 2022, 91 East Broadway received a building loan of $8,304,231 from a financial institution in relation to the Safe Haven property. The loan is subject to a fixed interest rate of 5.91% per annum. The loan has a maturity date of December 1, 2053. Monthly interest only payments commence on the first day of the first month following the closing date. The Payment of the principal commences on January 1, 2024. As of December 31, 2022, the outstanding loan balance is $8,304,231.

On December 29, 2022, 91 East Broadway received a project loan of $8,645,769 from a financial institution in relation to the Safe Haven property. The loan is subject to a fixed interest rate of 5.91% per annum. The loan has a maturity date of December 1, 2053. Monthly interest only payments commence on the first day of the first month following the closing date. The Payment of the principal commences on January 1, 2024. As of December 31, 2022, the outstanding loan balance is $8,645,769.

On September 8, 2022. Care for the Homeless entered into a Bridge Loan and Term Loan at $450,000 each for a total of $900,000. The bridge loan is for 11.5 months, and the Term Loan is for 30 months. Both loans carry an interest rate of three percent. As of September 21, 2023, there was no outstanding balance.

**NOTE 8 – LOANS PAYABLE (Continued)**

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program ("PPP"). Participating in the PPP enables the business to obtain a loan from the Small Business Administration ("SBA") sector of the government. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven.

The Organization applied for this loan through an SBA authorized lender and received $1.2 million for CFH and $350,000 for Jerome in May 2020.The Organization has opted to account for the proceeds as a loan under FASB Accounting Standards Codification ("ASC") 470, *Debt*, until the loan is, in part or wholly forgiven, and the Organization has been "legally released." The outstanding loan balance for Jerome, including 1% accrued interest, amounted to $355,881 and $336,000 as of December 31, 2022 and 2021, respectively. The balance is being repaid in accordance with the terms of the loan.

The Organization received forgiveness from the lender that $1.2 million of the PPP loan was fully forgiven on June 14, 2021. During the year ended December 31, 2021, CFH recognized $1,208,028 of gain resulting from the forgiveness upon legal release of its obligation from the bank and or SBA.

Future annual principal payments for the years ending after December 31, 2022 and thereafter are as follows:

| | |
|---|---|
| 2023 | $ 3,269,261 |
| 2024 | 1,588,156 |
| 2025 | 1,773,979 |
| 2026 | 1,422,668 |
| 2027 | 1,528,885 |
| Thereafter | 39,039,100 |
| | $ 48,622,049 |

**NOTE 9 – LEASES**

In 2011, CFH entered into a ten-year operating lease agreement with 30 East 33rd St. Realty LLC, which expired on December 31, 2020. The lease agreement was extended for another ten-year period from January 1, 2021 to December 31, 2030. CFH also rents space for one of its clinics on a month-to-month basis. In November 2018, CFH entered into a ten-year operating lease for space for a clinic at 91 Junius Street in Brooklyn, New York, which expires on October 31, 2028. In December 2018, CFH also signed a lease for a building for a Mental Health Shelter at 427-429 West 52nd Street in New York, New York. The lease term and rental payments for 427-429 West 52nd Street commenced on June 1, 2019 and the occupancy costs are reimbursed by government grants and contract funding.

As of March 1, 2005, Jerome began leasing space under an operating lease agreement, which expires in February 2027. The 1911-21 Jerome Avenue lease is noncancelable, unless the landlord plans to sell the premises and the tenant is given the first right of refusal (Article 29 of the lease agreement). There are no other cancellation clauses in the lease.

In August 2020, the Organization entered into a ten-year operating lease for the space for Safe Haven at 528 Morris Avenue, Bronx. The site was operational on March 29, 2022 as the commencement date for monthly rental payment.

Rent credits and charges are accounted for on a straight-line basis over the life of the lease, which gives rise to a timing difference that is reflected as deferred rent in the accompanying consolidated statements of financial position, amounting to $1,484,169 as of December 31, 2021.

**NOTE 9 – LEASES (Continued)**

As of January 1, 2022, the Organization adopted FASB ASC 842 for its leases. Comparative information provided in the following paragraphs was determined using the accounting principles in effect as of and for the year ended December 31, 2021 (i.e. ASC 840). No comparative information is provided for the amounts reported on the consolidated statement of financial position as of December 31, 2021, since the Organization used the modified retrospective method of transition that does not require restating the prior period.

As of December 31, 2022, the ROU asset had a balance of $25,558,675 and the lease liability totaled $26,911,342, as shown in the consolidated statement of financial position. The lease liabilities were calculated utilizing the prime rate of 1.89% for leases in effect at the initial adoption date of January 1, 2022. The weighted average of the remaining lease term is 7.30 months, and the weighted average discount rate is 1.89%.

The minimum lease commitments are as follows for the years ending after December 31, 2022:

| | CFH | Jerome | Total |
|---|---|---|---|
| 2023 | $ 3,634,786 | $ 930,281 | $ 4,565,067 |
| 2024 | 3,647,021 | 958,190 | 4,605,211 |
| 2025 | 3,742,314 | 986,936 | 4,729,250 |
| 2026 | 3,769,411 | 1,016,544 | 4,785,955 |
| 2027 | 2,744,039 | 170,250 | 2,914,289 |
| Thereafter | 7,196,278 | - | 7,196,278 |
| Total lease payment | 24,733,849 | 4,062,201 | 28,796,050 |
| Less: present value discount | (1,767,159) | (117,549) | (1,884,708) |
| Present value of lease liability | $ 22,966,690 | $ 3,944,652 | $ 26,911,342 |

The total rent expense for real property for the years ended December 31, 2022 and 2021 amounted to $4,183,709 and $2,981,416, respectively.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

A. ***Third-Party Contingencies***

The Organization is responsible for reporting to, and is regulated by, various third parties, among which are the Centers for Medicare and Medicaid Services ("CMS") and the New York State Department of Health ("DOH"). These agencies, as well as the New York State Office of Attorney General's Medicaid Fraud Control Unit, the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the Office of Inspector General, and other agencies have the right to audit the Organization. These agencies have the right to audit fiscal, as well as programmatic compliance (i.e., clinical documentation, among other compliance requirements).

The Organization is licensed by the NYSDOH to operate an Article 28 Diagnostic and Treatment Center and has been designated as a Federally Qualified Health Center ("FQHC"). As an FQHC, the Organization is reimbursed by the NYSDOH under the Prospective Payment System (PPS).

The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral law, and false claims prohibitions.

B. ***Line of Credit***

The Organization has a bank revolving line of credit with a $2,250,000 limit through March 28, 2023. The line is secured by the assets of the Organization. Under the terms of the agreement, borrowings will bear an interest rate equal to the Secured Overnight Financing Rate ("SOFR") plus 3%. The Organization borrowed $2,150,000 and $1,600,000 under the line of credit as of December 31, 2022 and 2021, respectively (Note 8).

## NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

On June 2, 2023, the Organization renewed the existing line of credit into a line of credit for $1,900,000 and a term loan of $1,600,000 for a total of $3,500,000. The line of credit carries an interest rate of 3% plus an adjusted SOFR Rate (the note rate). The term loan carries a Treasury Securities Rate (the "Note Rate") of 2.73% plus 3% above the Note Rate. As of September 21, 2023, there was $1,185,000 outstanding from the Term Loan and no amount outstanding from the line of credit.

C. ***Income Tax***

The Organization believes it has no uncertain income tax positions as of December 31, 2022 and 2021 in accordance with ASC Topic 740, "Income Taxes", which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

## NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes as of December 31:

| | 2022 | 2021 |
|---|---|---|
| Medical and other equipment | $ - | $ 18,579 |
| Health care | 94,998 | 1,197,031 |
| Outreach and enrollment | - | 14,941 |
| Mobile van | - | 929 |
| | $ 94,998 | $ 1,231,480 |

Net assets released from restrictions amounted to $1,136,482 and $390,691 for the years ended December 31, 2022, and 2021, respectively.

## NOTE 12 – PENSION PLAN

The Organization maintains a defined contribution plan for all eligible employees who have completed one year of service. During the years ended December 31, 2022 and 2021, CFH made contributions of $187,315 and $217,475, respectively, to the plan.

## NOTE 13 – CONCENTRATIONS

A. Cash and cash equivalents that potentially subject the Organization to a concentration of credit risk include cash accounts with various financial institutions that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits by approximately $283,000 and $745,000 as of December 31, 2022 and 2021, respectively.

B. The PHS Section 330(h) and the DHS grants represent approximately 67% and 48% of total consolidated operating revenues in the accompanying consolidated statements of activities for the years ended December 31, 2022 and 2021, respectively.

## NOTE 14 — EMPLOYEE RETENTION TAX CREDIT

During the year ended December 31, 2022, the Organization benefited from credits related to the passage of the CARES Act on March 27, 2020, in response to the COVID-19 crisis. As a result, the Organization filed for the employee retention credit in the amount of $2,497,523 which is included in the accompanying consolidated statements of financial position as of December 31, 2022 and the consolidated statements of activities for the year ended December 31, 2022.

## NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through September 21, 2023, the date the consolidated financial statements were available to be issued.

**CARE FOR THE HOMELESS AND AFFILIATES**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED DECEMBER 31, 2022**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Federal Expenditures | Amounts Provided to Subrecipients |
|---|---|---|---|---|
| U.S. Department of Health and Human Services | | | | |
| Health Center Program Cluster: | | | | |
| Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care) | 93.224 | | $ 6,094,010 | $ 729,721 |
| American Rescue Plan Act Funding for Health Centers | 93.224 | | 486,835 | - |
| Ending the HIV Epidemic | 93.224 | | 404,960 | - |
| Intergrated Behavioral Health | 93.224 | | 105,667 | - |
| Expanding Capacity for Coronavirus Testing (ECT) | 93.224 | | 5,063 | - |
| Total Health Center Program Cluster | | | 7,096,535 | 729,721 |
| The Trauma-informed ACEs Screening and Intervention Evaluation (TASIE) Project | 93.110 | | 10,000 | - |
| COVID-19 - Provider Relief Funds | 93.498 | | 615 | - |
| Total U.S. Department of Health and Human Services | | | 7,107,150 | 729,721 |
| **AMOUNTS PROVIDED TO SUBRECIPIENTS** | | | | **$ 729,721** |
| **TOTAL EXPENDITURES OF FEDERAL AWARDS** | | | **$ 7,107,150** | |

## NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the financial activity of the federally assisted programs of Care for the Homeless and Affiliates (the "Organization") for the year ended December 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, except for amounts passed through to subrecipients which are reported on a cash basis and the ALN 93.498, which is reported in accordance with the Health Resources and Services Administration’s Provider Relief Fund Reporting Portal. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

## NOTE 3 – INDIRECT COST RATES

The Organization has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

## NOTE 4 – PROVIDER RELIEF FUNDS (FEDERAL ASSISTANCE LISTING #93.498)

The Organization received Provider Relief Funds during 2021 which were spent in 2022. The amounts received from Period 4 (July 1, 2021 to December 31, 2021) are reported on the Schedule for the year ended December 31, 2022. The amounts reported in the Schedule for the COVID-19-Provider Relief Funds is based on the Department of Health and Human Services reporting requirements.

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# INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Care for the Homeless and Affiliates
New York, NY

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Care for the Homeless and Affiliates (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 21, 2023.

## *Report on Internal Control Over Financial Reporting*

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

## *Report on Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann CPAs

New York, NY
September 21, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors
Care for the Homeless and Affiliates
New York, NY

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Care for the Homeless and Affiliates' (collectively, the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *Office of Management and Budget ("OMB") Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2022. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

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***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether to do with fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Mayer Hoffman McCann CPAs

New York, NY
September 21, 2023

**Section I—Summary of Auditors' Results**

***Consolidated Financial Statements***

| | | |
|---|---|---|
| Type of Auditors' report issued: | Unmodified | |
| Internal control over financial reporting: | | |
| Material weaknesses identified? | ____ Yes | X No |
| Significant deficiency identified not considered to be material weaknesses? | ____ Yes | X None reported |
| Noncompliance material to financial statements noted? | ____ Yes | X No |

***Federal Awards***

| | | |
|---|---|---|
| Internal control over major program: | | |
| Material weaknesses identified? | ____ Yes | X No |
| Significant deficiency identified not considered to be material weaknesses? | ____ Yes | X None reported |
| Type of auditors' report issued on compliance for major program: | Unmodified | |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | ____ Yes | X No |

Identification of major program:

- Federal Assistance Listing Number 93.224 - Health Center Program Cluster

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

**Section II—Financial Statement Findings**

No matters were reported.

**Section III—Federal Award Findings**

None.

**Prior Year Findings:**

No matters were reported.