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Assurance

FRANCISCAN OUTREACH

Audited Financial Statements

Years Ended December 31, 2022 and 2021

LOCAL
KNOWLEDGE,
GLOBAL
EXPERTISE

FRANCISCAN OUTREACH
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Franciscan Outreach

Opinion

We have audited the accompanying financial statements of Franciscan Outreach (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively, financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Franciscan Outreach 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Franciscan Outreach and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Franciscan Outreach'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 Franciscan Outreach'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.

PKF Mueller

Chicago, Illinois
May 25, 2023

FRANCISCAN OUTREACH
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

		2022	2021
Cash and cash equivalents	$	294,029	448,852
Accounts receivable		5,761	40,064
Grants receivable		1,556,961	694,759
Contributions receivable		87,280	164,357
Investments		1,721,416	1,925,449
Prepaid insurance and other prepaid expenses		24,777	19,334
Property and equipment, net		468,416	383,286
Right of use asset - operating lease, net		12,482	-
Total assets	$	4,171,122	3,676,101

LIABILITIES AND NET ASSETS

		2022	2021
Liabilities:			
Accounts payable	$	52,127	96,435
Accrued expenses		112,262	111,490
Obligation under operating lease		12,482	-
Obligation under finance lease		23,238	-
Total liabilities		200,109	207,925
Net assets:			
Without donor restrictions		3,971,013	3,468,176
Total liabilities and net assets	$	4,171,122	3,676,101

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

FRANCISCAN OUTREACH
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Support and revenue:			
Contributions	$ 842,898	36,000	878,898
Bequests	50,185	-	50,185
Grants	2,955,169	187,650	3,142,819
Special events	183,405	-	183,405
Other income	425	-	425
Interest income	21,571	-	21,571
Total support and revenue before donated goods and services and net assets released from restrictions	4,053,653	223,650	4,277,303
Donated goods and services	472,029	-	472,029
Net assets released from restrictions	223,650	(223,650)	-
Total donated goods and services and net assets released from restrictions	695,679	(223,650)	472,029
Total support and revenue	4,749,332	-	4,749,332
Expenses:			
Program services	3,116,101	-	3,116,101
Administrative	738,654	-	738,654
Fundraising	371,724	-	371,724
Total expenses	4,226,479	-	4,226,479
Realized/unrealized losses on investments, net	20,016	-	20,016
Change in net assets	502,837	-	502,837
Net assets, beginning of year	3,468,176	-	3,468,176
Net assets, end of year	$ 3,971,013	-	3,971,013

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

FRANCISCAN OUTREACH
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Support and revenue:			
Contributions	$ 943,088	16,600	959,688
Bequests	130,682	-	130,682
Grants	2,036,888	215,063	2,251,951
Forgiveness of Paycheck Protection Program (PPP) loan	416,270	-	416,270
Interest income	1,026	-	1,026
Total support and revenue before donated goods and services and net assets released from restrictions	3,527,954	231,663	3,759,617
Donated goods and services	644,079	-	644,079
Net assets released from restrictions	253,663	(253,663)	-
Total donated goods and services and net assets released from restrictions	897,742	(253,663)	644,079
Total support and revenue	4,425,696	(22,000)	4,403,696
Expenses:			
Program services	3,235,102	-	3,235,102
Administrative	519,152	-	519,152
Fundraising	286,730	-	286,730
Total expenses	4,040,984	-	4,040,984
Realized/unrealized losses on investments, net	1,062	-	1,062
Change in net assets	383,650	(22,000)	361,650
Net assets, beginning of year	3,084,526	22,000	3,106,526
Net assets, end of year	$ 3,468,176	-	3,468,176

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

FRANCISCAN OUTREACH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	PROGRAM SERVICES			SUPPORTING SERVICES			
	HOUSE OF MARY & JOSEPH	CASE MANAGEMENT	TOTAL PROGRAM SERVICES	ADMINISTRATIVE	FUNDRAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
Salaries	$ 1,108,861	495,175	1,604,036	426,866	178,499	605,365	2,209,401
Medical benefits	122,383	50,072	172,455	61,402	28,672	90,074	262,529
Other employee benefits	115,841	50,277	166,118	45,506	18,952	64,458	230,576
Professional fees and contract services	206,028	29,542	235,570	127,101	42,495	169,596	405,166
Food	342,624	65	342,689	2,889	-	2,889	345,578
Supplies	140,749	11,220	151,969	2,768	1,669	4,437	156,406
Postage and printing	145	704	849	48	2,284	2,332	3,181
Telephone and internet	19,059	7,214	26,273	7,632	1,459	9,091	35,364
Utilities	41,356	-	41,356	-	-	-	41,356
Rent	105,495	12,707	118,202	20,790	16,042	36,832	155,034
Insurance	28,506	4,858	33,364	1,428	1,246	2,674	36,038
Equipment repairs/rentals and maintenance	94,171	2,614	96,785	13,810	2,863	16,673	113,458
Dues and media	1,288	10,040	11,328	7,304	13,476	20,780	32,108
Specific assistance	5,250	8,760	14,010	-	-	-	14,010
Laundry	8,880	-	8,880	-	-	-	8,880
Local travel	2,439	-	2,439	667	-	667	3,106
Conferences and meetings	6,240	-	6,240	60	-	60	6,300
Fundraising expenses	-	-	-	-	56,959	56,959	56,959
Promotion	2,846	3,236	6,082	2,093	-	2,093	8,175
Interest expense and fees	-	-	-	-	6,662	6,662	6,662
Depreciation	68,602	8,854	77,456	4,286	-	4,286	81,742
Miscellaneous	-	-	-	14,004	446	14,450	14,450
	$ 2,420,763	695,338	3,116,101	738,654	371,724	1,110,378	4,226,479

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

FRANCISCAN OUTREACH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	PROGRAM SERVICES			SUPPORTING SERVICES			
	HOUSE OF MARY & JOSEPH	CASE MANAGEMENT	TOTAL PROGRAM SERVICES	ADMINISTRATIVE	FUNDRAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
Salaries	$ 930,726	418,787	1,349,513	341,403	162,687	504,090	1,853,603
Medical benefits	63,521	54,812	118,333	42,217	30,799	73,016	191,349
Other employee benefits	100,410	40,284	140,694	36,191	16,846	53,037	193,731
Professional fees and contract services	98,032	104,106	202,138	36,985	25,818	62,803	264,941
Food	517,734	177	517,911	650	-	650	518,561
Supplies	154,250	7,100	161,350	6,501	583	7,084	168,434
Postage and printing	548	193	741	747	3,169	3,916	4,657
Telephone and internet	16,883	7,551	24,434	5,707	3,389	9,096	33,530
Utilities	58,295	-	58,295	12,300	-	12,300	70,595
Rent	103,731	12,204	115,935	19,072	15,729	34,801	150,736
Insurance	29,130	3,493	32,623	1,115	1,510	2,625	35,248
Equipment repairs/rentals and maintenance	90,391	3,267	93,658	10,984	2,915	13,899	107,557
Dues and media	2,801	2,500	5,301	1,199	11,221	12,420	17,721
Specific assistance	8,000	7,995	15,995	-	-	-	15,995
Laundry	8,880	-	8,880	-	-	-	8,880
Local travel	2,362	60	2,422	113	-	113	2,535
Conferences and meetings	887	20	907	-	-	-	907
Fundraising expenses	-	-	-	-	1,895	1,895	1,895
Promotion	739	183	922	-	612	612	1,534
Interest expense and fees	-	-	-	-	5,734	5,734	5,734
Depreciation	379,209	5,841	385,050	3,639	3,335	6,974	392,024
Miscellaneous	-	-	-	329	488	817	817
	$ 2,566,529	668,573	3,235,102	519,152	286,730	805,882	4,040,984

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

FRANCISCAN OUTREACH
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash provided (used) by operating activities:		
Change in net assets	$ 502,837	361,650
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	81,742	392,024
Net realized and unrealized losses on investments	20,016	1,062
Contribution of equity securities	(6,885)	(104,025)
Forgiveness of PPP loan	-	(416,270)
Amortization of right of use asset under operating lease	8,702	-
Contribution of property and equipment	(14,000)	-
Changes in:		
Accounts receivable	34,303	(40,064)
Grants receivable	(862,202)	80,225
Contributions receivable	77,077	(17,433)
Prepaid insurance and other prepaid expenses	(5,443)	(3,863)
Accounts payable	(44,308)	55,914
Accrued expenses	772	23,172
Obligation under operating lease	(8,702)	-
Net cash provided (used) by operating activities	(216,091)	332,392
Cash provided (used) by investing activities:		
Purchases of investments	(778,982)	(797,743)
Proceeds from sale of investments	969,884	384,876
Purchases of property and equipment	(143,226)	(35,896)
Proceeds from sale of property and equipment	14,000	-
Net cash provided (used) by investing activities	61,676	(448,763)
Cash provided by financing activities:		
Principal payments on obligation under finance lease	(408)	-
Net decrease in cash and cash equivalents	(154,823)	(116,371)
Cash and cash equivalents, beginning of year	448,852	565,223
Cash and cash equivalents, end of year	$ 294,029	448,852

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

FRANCISCAN OUTREACH
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Noncash investing transactions:		
Contribution of equity securities	$ 6,885	104,025
Forgiveness of PPP loan	$ -	416,270
Obligation under finance lease incurred for purchase of property and equipment	$ 23,646	-
Contribution of property and equipment	$ 14,000	-

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

NOTE 1 - NATURE OF OPERATIONS

Franciscan Outreach (Organization) is a not-for-profit organization that was organized under the laws of the State of Illinois on November 16, 1976.

The Organization operates facilities located in Chicago, Illinois and provides people who are marginalized and homeless with food, shelter, and the critical services they need to improve their lives. Support is derived primarily from donations and grants from the government, private foundations, and individuals.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to not-for-profit organizations.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Organization maintains its cash in bank deposits which, at times, may exceed federally insured limits. The Organization believes it is not exposed to significant credit risk on these accounts.

Grants and Contributions Receivable

The Organization records unconditional promises to give in the form of grants and contributions receivable that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at the present value of estimated future cash flows. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Organization determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At December 31, 2022 and 2021, an allowance for uncollectible promises to give was not deemed necessary.

Investments

Investments are reported at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses, interest, and dividends) is reported net of external and direct internal investment expenses and is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and Equipment

Property and equipment have been recorded at cost if purchased or at fair value at time of donation if received as a gift. The Organization capitalizes property and equipment over $1,000 that have a useful life of more than one year. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a 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 statements of activities as net assets released from restrictions.

Support and Revenue Recognition

The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place. Special event revenue is recognized at the point in time the event takes place as this represents the point at which the goods or services are provided to the customer.

The Organization elected to use the portfolio approach practical expedient. The Organization's contracts with customers contain similar terms and as a result, the Organization has elected to apply its revenue recognition policies to a portfolio of contracts with similar characteristics. The Organization does not expect the results of doing so to differ materially from applying the guidance to individual contracts.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Support and Revenue Recognition, Continued

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization reports conditional promises with donor restrictions as increases in net assets without donor restrictions when both the condition and restrictions are satisfied in the same reporting period.

A portion of the Organization’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Organization did not receive any cost-reimbursable grants that have not been recognized at December 31, 2022 and 2021 because qualifying expenditures had not yet been incurred. No amounts have been received in advance under the federal and city contracts and grants.

Change in Accounting Principles – Contributed Nonfinancial Assets

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU improves financial reporting by providing new presentation and disclosure requirements, including presented contributed nonfinancial assets (in-kind contributions) as a separate line item in the statements of activities apart from contributions of cash and other financial assets. The ASU also requires additional qualitative and quantitative disclosures about the nature, amount, restrictions, and policies surrounding the contributed nonfinancial assets. For the year ended December 31, 2022, the Organization adopted the ASU on a retrospective basis and has adjusted the presentation in these financial statements accordingly.

In-Kind Contributions

The Organization receives in-kind contributions of time and pro bono services from members of the community and volunteers related to program operations, special events, and fundraising activities. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives contributions of goods for use in its program operations.

Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. The Organization's policy related to in-kind contributions is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset. See Note 7 for a description of the valuation techniques utilized for the Organization's in-kind contributions.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salary and related benefits are allocated based on the direct conduct or supervision of programs and supporting services. Some non-salary expenses that benefit more than one functional category (administration, fundraising, and program) are spread across categories using a shared cost method. Under this method, the number of employees within a department (at a specific location) are divided by the total number of employees at the Organization (or total number employees at a specific location) to determine the percentage of shared costs they should bear. Occupancy expenses (rent and utilities) are allocated based on the square footage of space used for programs and supporting services. Materials and supplies are allocated based on usage. Telephone and internet are allocated based on number of users in each location. Expenses used for a specific program are charged directly to that program.

Financial Instruments

Financial instruments, which are included in the Organization's statements of financial position as of December 31, 2022 and 2021, but not required to be measured at fair value on a recurring basis, consist of cash and cash equivalents, grants receivable, contributions receivable, accounts payable, and accrued expenses. The carrying amount of these assets and liabilities approximate fair value.

Income Taxes

The Organization has been determined to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision has been made for either federal or state income taxes.

The Organization has evaluated the tax positions taken for all open tax years. Currently, the returns for the prior three fiscal years are open and subject to examination by the Internal Revenue Service; however, the Organization is not currently under audit nor has the Organization been contacted by this jurisdiction.

Based on the evaluation of the Organization’s tax positions, management believes all positions would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2022 and 2021.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Standard – Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The FASB also subsequently issued additional ASUs, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021.

The Organization elected to adopt these ASUs effective January 1, 2022 and utilized the available practical expedients. As a result of adoption, the Organization recorded ROU assets and lease liabilities of $21,184, effective January 1, 2022.

Leases

The Organization leases certain equipment. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets and obligation under operating lease in the statements of financial position. Finance leases are included in property and equipment and obligation under finance lease in the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. Since most of the Organization's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk free rate based on the information available at lease commencement. The operating lease ROU asset also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise the option.

The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Standard – Credit Losses

In June 2016, the FASB issued guidance to change the accounting for credit losses. The guidance requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate its lifetime "expected credit losses" and record an allowance that presents the net amount expected to be collected on the financial assets. The CECL framework is expected to result in earlier recognition of credit losses. The Organization intends to adopt the guidance as of January 1, 2023 and is currently evaluating the effect it is expected to have on its financial statements and related disclosures.

Management Evaluation of Going Concern

In accordance with U.S. GAAP, management performed an evaluation to determine if adverse conditions or events, considered in the aggregate, raise substantial doubt about the Organization's ability to continue as a going concern for the one-year period from the date the financial statements were available to be issued. Management's evaluation did not identify any conditions or events that raise substantial doubt about the Organization's ability to continue as a going concern for the period from May 25, 2023 to May 25, 2024.

Subsequent Events

Subsequent events have been evaluated through May 25, 2023, the date that the financial statements were available to be issued.

Subsequent to year end, the Organization began a short-term lease and an operating lease, see Note 8.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 294,029	448,852
Accounts receivable	5,761	40,064
Grants receivable	1,556,961	694,759
Contributions receivable	87,280	164,357
Investments	1,721,416	1,925,449
Financial assets available to meet cash needs for general expenditures within one year	$ 3,665,447	3,273,481

The Organization monitors its cash position on a monthly basis. Excess cash is invested in mutual funds.

NOTE 4 - FAIR VALUE MEASUREMENTS

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that management has the ability to access at the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Mutual funds: Valued at the closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price.

U.S. Treasury notes: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Fixed income: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

NOTE 4 - FAIR VALUE MEASUREMENTS, CONTINUED

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

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2022 and 2021:

	Assets at Fair Value as of December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Mutual funds	$ 1,028,486	-	-	1,028,486
U.S. Treasury notes	-	602,578	-	602,578
Fixed income	-	90,352	-	90,352
Total assets in the fair value hierarchy	$ 1,028,486	692,930	-	1,721,416

	Assets at Fair Value as of December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Mutual funds	$ 1,728,263	-	-	1,728,263
U.S. Treasury notes	-	98,844	-	98,844
Fixed income	-	98,342	-	98,342
Total assets in the fair value hierarchy	$ 1,728,263	197,186	-	1,925,449

For the years ended December 31, 2022 and 2021, there were no significant transfers into or out of Level 3.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment, net at December 31, 2022 and 2021 consisted of the following:

	2022	2021
Land	$ 10,000	10,000
Buildings	90,000	90,000
Building improvements	1,146,879	1,114,439
Equipment	803,163	668,730
Vehicles	28,705	28,705
Leasehold improvements	7,420	7,420
Total property and equipment	2,086,167	1,919,294
Less accumulated depreciation	(1,617,751)	(1,536,008)
Property and equipment, net	$ 468,416	383,286

Depreciation expense included in program and supporting services were $81,742 and $392,024 for the years ended December 31, 2022 and 2021, respectively.

NOTE 6 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2022	2021
Case management	$ 46,500	69,950
Operations - specific site	177,150	183,713
Total net assets released from donor restrictions	$ 223,650	253,663

NOTE 7 - IN-KIND CONTRIBUTIONS

The Organization received the following in-kind contributions of goods, services, and facilities for the years ended December 31:

	2022	2021
Food	$ 340,490	516,596
Vehicle	14,000	-
Legal and other services	61,162	24,164
Clothing and supplies	56,377	103,319
Total in-kind contributions	$ 472,029	644,079

NOTE 7 - IN-KIND CONTRIBUTIONS, CONTINUED

The Organization received donations of food with a fair value of $340,490 and $516,596 for the years ended December 31, 2022 and 2021, respectively. The Organization distributes the food in its shelters.

The Organization received a vehicle with a fair value of $14,000 for the year ended December 31, 2022. The organization sold the vehicle at its fair value during 2022.

The Organization was provided legal and other services at no cost. Based on current market rates for legal services, the Organization would have paid $61,162 and $24,164 for the years ended December 31, 2022 and 2021, respectively.

The Organization received clothing and supplies with a fair market value of $56,377 and $103,319 for the years ended December 31, 2022 and 2021, respectively. The clothing and supplies were used and distributed at its shelters.

All in-kind contributions received by the Organization for the years ended December 31, 2022 and 2021 were considered to be without donor restrictions and are able to be used by the Organization as determined by the board of directors and management.

In addition, the Organization received shares of marketable securities with fair values at the date of contribution totaling $6,885 and $104,025 during the years ended December 31, 2022 and 2021, respectively.

NOTE 8 - LEASES

As of and for the Year Ended December 31, 2022

The Organization has an operating lease agreement that requires monthly payments of $740 and a lease maturity date of June 2024. The Organization is also obligated by a lease agreement that meets the criteria of a finance lease. The finance lease requires monthly payments of $408 and a lease maturity date of November 2027.

The Organization elects to apply the short-term lease measurement and recognition exemption to leases that meet the criteria. As of December 31, 2022, the Organization has entered into two leases that qualify for the short-term lease measurement and recognition exemption.

Lease expense for the year ended December 31, 2022 was as follows.

Operating leases:	
Fixed rent expense	$ 8,880
Short-term lease expense	98,745
	$ 107,625

NOTE 8 - LEASES, CONTINUED

As of and for the Year Ended December 31, 2022, Continued

Aggregate future minimum lease payments and the present value of net future minimum payments, at December 31, 2022 are as follows:

	Operating	Finance	Total
2023	$ 8,880	4,890	$ 13,770
2024	3,700	4,890	8,590
2025	-	4,890	4,890
2026	-	4,890	4,890
2027	-	4,483	4,483
	12,580	24,043	36,623
Less interest	(98)	(805)	(903)
	$ 12,482	23,238	$ 35,720

As of December 31, 2022, the remaining lease term for the operating lease is 1.5 years while the remaining lease term for the finance lease is 5 years.

Because the Organization generally does not have access to the rate implicit in the lease, the Organization utilizes the risk free rate as the discount rate. The discount rate associated with operating lease as of December 31, 2022 is 1.040%, while the discount rate associated with the finance lease as of December 31, 2022 1.370%.

Subsequent to year end, the Organization began a short-term lease for a homeless shelter that begins on January 1, 2023 and requires monthly payments of $5,100 through maturity on December 31, 2023. The Organization also began an operating lease for another homeless shelter that begins on January 1, 2023 and requires monthly payments of $3,390 that escalate to $3,597 through the lease maturity on December 31, 2025.

As of and for the Year Ended December 31, 2021

The Organization was obligated under operating leases, primarily for office space and office equipment, which expired on various dates until 2024. Total rent expense under all operating leases amounted to $164,953 for the year ended December 31, 2021.

NOTE 9 - CONTINGENCY

The $416,270 Paycheck Protection Program (PPP) loan and its forgiveness are subject to examination under the terms of the agreement with the Small Business Administration for a period of six years from the date the PPP loan is forgiven, which was August 2021. The Organization is not currently under examination nor has the Organization been contacted.