

FAMILY PROMISE ROCHESTER
FINANCIAL STATEMENTS
WITH INDEPENDENT ACCOUNTANTS'
REVIEW REPORT
DECEMBER 31, 2022 AND 2021

FAMILY PROMISE ROCHESTER

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Management of
Family Promise Rochester
Rochester, Minnesota

We have reviewed the accompanying financial statements of Family Promise Rochester, (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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Family Promise Rochester and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter with Respect to Change of Accounting Principle

As discussed in Note 1 to the financial statements, in 2022, the Organization retrospectively adopted new accounting guidance in accordance with Accounting Standards Codification Topic 842, *Leases*, as of January 1, 2021. Our conclusion is not modified with respect to this matter.

Hawthorn Ash CPA, LLP

Rochester, Minnesota

August 15, 2023

FAMILY PROMISE ROCHESTER
STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
<u>ASSETS</u>	2022	2021
Cash and cash equivalents	\$ 229,790	\$ 238,695
Grant receivable	60	17,729
Prepaid expenses	1,210	225
Beneficial interest in community foundation	30,149	37,181
Property and equipment, net	409,332	421,613
Finance lease right-of-use asset	1,667	2,667
Other assets	-	5,745
	-	5,745
TOTAL ASSETS	\$ 672,208	\$ 723,855
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 4,068	\$ 9,666
Accrued liabilities	8,076	9,676
Finance lease liability	2,071	3,087
Mortgage payable	230,462	239,353
TOTAL LIABILITIES	244,677	261,782
NET ASSETS		
Without donor restrictions	417,812	454,573
With donor restrictions	9,719	7,500
TOTAL NET ASSETS	427,531	462,073
TOTAL LIABILITIES AND NET ASSETS	\$ 672,208	\$ 723,855

FAMILY PROMISE ROCHESTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 185,970	\$ 3,716	\$ 189,686
In-kind contribution	6,250	-	6,250
Special events	17,891	-	17,891
Interest income	448	-	448
Change in beneficial interest	(5,332)	-	(5,332)
Rental income	3,413	-	3,413
Miscellaneous income	445	-	445
Gain on sale of assets	632	-	632
Net assets released from restrictions	<u>1,497</u>	<u>(1,497)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>211,214</u>	<u>2,219</u>	<u>213,433</u>
EXPENSES			
Program services	189,112	-	189,112
Management and general	49,930	-	49,930
Fundraising	<u>8,933</u>	<u>-</u>	<u>8,933</u>
TOTAL EXPENSES	<u>247,975</u>	<u>-</u>	<u>247,975</u>
CHANGE IN NET ASSETS	(36,761)	2,219	(34,542)
NET ASSETS			
BEGINNING OF YEAR	<u>454,573</u>	<u>7,500</u>	<u>462,073</u>
END OF YEAR	<u><u>\$ 417,812</u></u>	<u><u>\$ 9,719</u></u>	<u><u>\$ 427,531</u></u>

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FAMILY PROMISE ROCHESTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 179,716	5,000	\$ 184,716
In-kind contribution	9,345	-	9,345
Special events	8,855	-	8,855
Interest income	68	-	68
Change in beneficial interest	3,864	-	3,864
Rental income	-	-	-
Miscellaneous income	-	-	-
Gain on sale of assets	-	-	-
Net assets released from restrictions	-	-	-
TOTAL SUPPORT AND REVENUE	<u>201,848</u>	<u>5,000</u>	<u>206,848</u>
EXPENSES			
Program services	175,660	-	175,660
Management and general	75,121	-	75,121
Fundraising	5,541	-	5,541
TOTAL EXPENSES	<u>256,322</u>	<u>-</u>	<u>256,322</u>
CHANGE IN NET ASSETS	(54,474)	5,000	(49,474)
NET ASSETS			
BEGINNING OF YEAR	<u>509,047</u>	<u>2,500</u>	<u>511,547</u>
END OF YEAR	<u>\$ 454,573</u>	<u>\$ 7,500</u>	<u>\$ 462,073</u>

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FAMILY PROMISE ROCHESTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 107,339	\$ 13,984	\$ 72	\$ 121,395
Payroll taxes	8,514	1,189	-	9,703
Property taxes	51	9	3	63
Insurance	6,991	4,893	2,097	13,981
Repairs	3,202	600	200	4,002
Computer and internet	8,225	914	798	9,937
Utilities	6,484	815	272	7,571
Lease expense	7,260	-	-	7,260
Rental assistance	7,010	-	-	7,010
Office supplies	829	1,262	-	2,091
Postage	-	928	-	928
Dues and subscriptions	-	2,987	499	3,486
Licenses and permits	-	327	-	327
Professional fees	-	12,775	-	12,775
Supplies	833	-	-	833
Program expenses	1,772	348	50	2,170
Guest costs	5,569	-	-	5,569
Transportation	873	301	-	1,174
Travel	207	370	-	577
Special event expense	-	-	3,997	3,997
Depreciation and amortization	14,526	2,724	908	18,158
Interest	9,040	208	-	9,248
Miscellaneous	387	5,296	37	5,720
TOTAL EXPENSES	<u>\$ 189,112</u>	<u>\$ 49,930</u>	<u>\$ 8,933</u>	<u>\$ 247,975</u>

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FAMILY PROMISE ROCHESTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 110,511	\$ 41,040	\$ -	\$ 151,551
Payroll taxes	8,367	3,161	-	11,528
Property taxes	3,488	654	218	4,360
Insurance	6,156	4,308	1,846	12,310
Repairs	3,882	728	243	4,853
Computer and internet	4,879	1,011	1,210	7,100
Utilities	3,401	637	212	4,250
Lease expense	-	-	-	-
Rental assistance	-	-	-	-
Office supplies	266	5,330	-	5,596
Postage	-	715	-	715
Dues and subscriptions	-	3,156	499	3,655
Licenses and permits	54	569	-	623
Professional fees	-	7,850	-	7,850
Supplies	1,381	231	99	1,711
Program expenses	3,345	164	55	3,564
Guest costs	4,556	300	-	4,856
Transportation	738	-	-	738
Travel	-	302	-	302
Special event expense	-	-	200	18,594
Depreciation and amortization	14,875	2,789	930	18,594
Interest	9,357	549	-	9,906
Miscellaneous	404	1,627	29	2,060
TOTAL EXPENSES	<u>\$ 175,660</u>	<u>\$ 75,121</u>	<u>\$ 5,541</u>	<u>\$ 274,716</u>

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FAMILY PROMISE ROCHESTER
STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (34,542)	\$ (49,474)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	18,158	18,594
Donation of property and equipment	(6,250)	-
(Gain) loss on sale of property and equipment	(632)	-
Change in beneficial interest in community foundation	5,332	(3,864)
Changes in assets and liabilities		
Decrease (increase) in assets		
Grant receivable	17,669	1,471
Prepaid expenses	(985)	(225)
Other asset	-	(5,745)
Increase (decrease) in liabilities		
Accounts payable	(5,598)	7,153
Accrued liabilities	(1,600)	5,856
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(8,448)	(26,234)
CASH FLOWS FROM INVESTING ACTIVITIES		
Distribution from beneficial interest in community foundation	1,700	1,670
Purchase of property and equipment	-	(5,119)
Proceeds from sales of assets	7,750	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	9,450	(3,449)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(8,891)	(8,574)
Payment on finance lease liability	(1,016)	(909)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(9,907)	(9,483)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,905)	(39,166)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	238,695	277,861
CASH AND CASH EQUIVALENTS END OF YEAR	\$ 229,790	\$ 238,695
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	\$ 9,248	\$ 9,906
<u>SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION</u>		
Donation of property and equipment	\$ 6,250	\$ -

See Independent Accountants' Review Report

FAMILY PROMISE ROCHESTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization - Family Promise Rochester (the Organization) is a not-for-profit organization whose purpose is to provide safe and supportive emergency shelter, meals, and transportation for homeless families in the greater Rochester, Minnesota area. The Organization receives most of its revenue from contributions and grants.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all receivables, payables and other liabilities.

Basis of Presentation - The accompanying financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP) as codified by the Financial Accounting Standards Board.

The Organization is required to report information regarding its net assets and its activities 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 or certain grantor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor or certain grantor 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounting Pronouncements Adopted - In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (Topic 842). The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the statement of activities as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. The Organization retrospectively adopted the standard effective January 1, 2021.

As a result of the adoption of the new lease guidance, the finance lease right of use asset and liability was recorded as of January 1, 2021 at the carrying value under prior guidance. The adoption of the new standard did not materially impact the Organization's statements of activities or statements of cash flows.

As of January 1, 2022 the Organization adopted the provision of FASB issued Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). Under the new guidance, gifts-in-kind are required to be presented as a separate line item on the statements of activities and additional disclosures will be required. The presentation and disclosures for contributed nonfinancial assets have been enhanced in accordance with the standard.

FAMILY PROMISE ROCHESTER
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2022 AND 2021

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

Cash and Cash Equivalents - The Organization's cash and cash equivalents consists of cash on deposit with banks. For purposes of the statements of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants Receivable - Grants receivable are stated at the amount management expects to collect from outstanding balances.

Property and Equipment - All acquisitions of property and equipment in excess of \$5,000 with useful lives greater than one year are capitalized. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method based on the following estimated useful lives:

<u>Asset</u>	<u>Life</u>
Equipment	3 - 5 years
Vehicles	5 years
Buildings and improvements	3 - 39 years

Valuation of Long-lived Assets - U.S. GAAP requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No assets are considered to be impaired at December 31, 2022 and 2021.

Revenue Recognition - The Organization records the following exchange transaction revenue in its statements of activities and changes in net assets:

Special Event Revenue: Game and food ticket sales revenue is recognized when the goods and services are available to the ticket holder. Included in special events on the statements of activities is the contribution portion related to ticket sales and sponsorships.

Contribution Recognition - Contributions are recognized when received or unconditionally pledged. Conditional contributions and promises to give, are recognized as revenue when the barriers to entitlement are overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets is removed. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

FAMILY PROMISE ROCHESTER
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2022 AND 2021

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

Grant Recognition - Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award:

Grant awards that are contributions - Grants awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant awards that are exchange transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred.

Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

In-Kind Contributions - The Organization records the value of donated goods when there is an objective basis to measure the value. Donated goods are reflected as in-kind contribution revenue in the accompanying statements of activities. Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills that are performed by people with those skills and would otherwise be purchased by the Organization.

A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in these financial statements because the criteria for recognition have not been satisfied.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. These expenses include salaries, payroll related expenses, occupancy, supplies, and depreciation, which are allocated based on an analysis of employees' time spent performing each of these functions or direct cost.

Advertising Costs - Advertising costs are expensed as incurred.

Use of Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Tax Status - The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is also exempt from State taxation.

FAMILY PROMISE ROCHESTER
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2022 AND 2021

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

Accounting for Uncertainty in Income Taxes - U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions, however, there are currently no audits in progress for any tax period. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purpose to conform to the presentation of the current year's financial statements.

Subsequent Events - The Organization evaluated subsequent events through July 6, 2023, the date which the financial statements were available to be issued.

NOTE 2 - Concentration of Cash and Credit Risk

The Organization may have deposits with a financial institution at times during the year that exceed the Federal Deposit Insurance Corporation (FDIC) insurance threshold of \$250,000. The Organization's deposits at December 31, 2022 and 2021 did not exceed the FDIC insurance threshold. The Organization does not require collateral or other security to support deposits subject to this credit risk.

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 statement of financial position date, comprise the following:

	2022	2021
Cash and cash equivalents	\$ 229,790	\$ 238,695
Grants receivable	60	17,729
Total financial assets available within one year	229,850	256,424
Less amounts not available for general expenditure within one year:		
Net assets with donor restrictions	9,719	7,500
Total financial assets available to management for general expenditure within one year	<u>\$ 220,131</u>	<u>\$ 248,924</u>

Liquidity Management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

FAMILY PROMISE ROCHESTER
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2022 AND 2021

NOTE 4 - Beneficial Interest in Community Foundation

The Organization holds a beneficial interest in assets held by the Rochester Area Foundation (Foundation). The balance of the fund was \$30,149 and \$37,181 as of December 31, 2022 and 2021, respectively. The financial statements include a distribution of \$1,700 and \$1,670 and a change in value was recorded as investment income of \$(5,332) and \$3,864 in 2022 and 2021, respectively.

The Foundation is to distribute the funds to the Organization as the Organization requests the funds. The Foundation has variance power over the funds. The Foundation has power to modify any restriction or condition on the distribution of funds, if, in their sole judgment, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or becomes inconsistent with the charitable needs of the Organization or the Foundation. The beneficial interest is recognized in the accompanying statements of financial position and is valued at the fair market value.

NOTE 5 - Fair Value Measurements

The Organization has determined the fair value of certain assets and liabilities in accordance with the provision of U.S. GAAP, which provides a framework for measuring fair value under generally accepted accounting principles.

U.S. GAAP defines fair value as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. U.S. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. U.S. GAAP also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets that the reporting organization has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset. Level 3 inputs are unobservable inputs related to the asset.

The asset's fair value measurement within the fair value hierarchy is based on the lowest of any input that is significant to the fair value measurement. The 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.

Beneficial interest in Community Foundation: Investments held with a community foundation are valued at fair value based on the closing price for securities listed on a securities exchange, the closing bid or asking price for over-the-counter securities not listed on a securities exchange, or at cost or obtained from an independent pricing service for securities not listed or traded on any exchange or on the over-the-counter market. The custodian of the investments in the community foundation also has the ability to determine the fair value of securities not listed or traded on any exchange or on the over-the-counter market based on available information.

The method described above may produce a fair value calculation that may be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is 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.

FAMILY PROMISE ROCHESTER
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2022 AND 2021

NOTE 5 - Fair Value Measurements - Continued

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2022 and 2021.

	<u>REVIEWED DECEMBER 31, 2022</u>	<u>QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)</u>	<u>SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)</u>	<u>SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)</u>
Beneficial interest in a community foundation	\$ <u>30,149</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>30,149</u>
	<u>AUDITED DECEMBER 31, 2021</u>	<u>QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)</u>	<u>SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)</u>	<u>SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)</u>
Beneficial interest in a community foundation	\$ <u>37,181</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>37,181</u>

The following is a reconciliation of activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) for December 31:

Beneficial Interest in Community Foundation

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 37,181	\$ 34,987
Change in beneficial interest	(5,332)	3,864
Withdraw	(1,700)	(1,670)
Balance, end of year	\$ <u>30,149</u>	\$ <u>37,181</u>

NOTE 6 - Property and Equipment

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

	<u>2022</u>	<u>2021</u>
Land	\$ 50,000	\$ 50,000
Building	369,557	369,557
Equipment	<u>36,529</u>	<u>33,714</u>
	456,086	453,271
Less: accumulated depreciation	<u>46,754</u>	<u>31,658</u>
NET PROPERTY AND EQUIPMENT	\$ <u>409,332</u>	\$ <u>421,613</u>

Depreciation expense amounted to \$17,158 and \$17,594 for years ended December 31, 2022 and 2021, respectively.

FAMILY PROMISE ROCHESTER
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2022 AND 2021

NOTE 7 - Leases

The Organization leases equipment under a five year, non-cancelable finance lease agreement. The lease expires in 2024 and provides an end of term purchase option at fair market value. The Organization included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The weighted-average discount rate is based on the discount rate implicit in the lease, or if the implicit rate is not readily determinable from the lease, then the Organization elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Total lease expense is as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Finance lease expense		
Amortization of right-of-use asset	\$ 1,000	\$ 1,000
Interest on lease liabilities	292	399
Short-term lease expense	<u>7,260</u>	<u>-</u>
TOTAL	<u>\$ 8,552</u>	<u>\$ 1,399</u>

Other lease information is as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 292	\$ 399
Finance cash flows from finance leases	1,016	909
Weighted-average remaining lease term in years		
Finance leases	1.75	2.75
Weighted-average discount rate		
Finance leases	11.115%	11.115%

The future minimum lease payments under the finance lease is as follows as of December 31,

2023	\$ 1,308
2024	<u>981</u>
Total minimum lease payments	2,289
Less amounts representing interest	<u>218</u>
TOTAL LEASE LIABILITIES	<u>\$ 2,071</u>

FAMILY PROMISE ROCHESTER
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2022 AND 2021

NOTE 8 - Mortgage Payable

The Organization's mortgage payable are as follows at December 31:

	2022	2021
Promissory note with a financial institution, paid in 59 monthly installments of \$1,494 including interest of 3.79% beginning October 2020, and one irregular payment of remaining unpaid principal and interest on September 8, 2025, collateralized by real estate.	<u>\$ 230,462</u>	<u>239,353</u>
Less current maturities	<u>9,237</u>	<u>8,889</u>
TOTAL	<u>\$ 221,225</u>	<u>\$ 230,464</u>

Aggregate maturities of the mortgage payable for the three years following December 31, 2022, are as follows:

2023	\$ 9,237
2024	9,598
2025	<u>211,627</u>
TOTAL	<u>\$ 230,462</u>

NOTE 9 - Paycheck Protection Program (PPP) Loan

The Organization was granted a loan under the second round of the PPP administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization recognized \$28,325 as grant revenue for the year ended December 31, 2021.

NOTE 10 - Net Assets

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	2022	2021
Subject to expenditure for specified purpose:		
Pet care and boarding	\$ 2,500	\$ 2,500
Technology	3,503	5,000
Life Skills	3,404	-
Duplex	<u>312</u>	<u>-</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 9,719</u>	<u>\$ 7,500</u>

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
Satisfaction of purpose restrictions:		
Technology	<u>\$ 1,497</u>	<u>\$ -</u>

FAMILY PROMISE ROCHESTER
NOTES TO FINANCIAL STATEMENTS - Continued
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NOTE 11 - In-Kind Contributions

The value of donated goods and services included as in-kind contributions in the financial statements and the corresponding expenses or assets are as follows for the years ended December 31:

	2022	2021
IT services	\$ -	\$ 3,600
Donated vehicle, held for sale	-	5,745
Donated property and equipment	6,250	-
TOTAL IN-KIND CONTRIBUTIONS	\$ 6,250	\$ 9,345

The Organization receives contributed labor services that are reported using current rates for similar types of services. Donated assets are valued at the fair market value based on current market rates for similar items. All contributed services were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.