

Grace Smith House, Inc.

Financial Statements

December 31, 2022 and 2021

Independent Auditors' Report

Board of Directors
Grace Smith House, Inc.

Opinion

We have audited the accompanying financial statements of the Grace Smith House, Inc. (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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grace Smith House, Inc. 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Grace Smith House, Inc. 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 Grace Smith House, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 Grace Smith House, Inc.'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 Grace Smith House, Inc.'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.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of revenue and support on pages 19 and 20 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PKF O'Connor Davies, LLP

Newburgh, New York
June 28, 2023

Grace Smith House, Inc.

Statements of Financial Position

	December 31,	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 494,982	\$ 474,385
Investments	4,329,110	4,453,912
Accounts receivable, net	427,271	531,460
Prepaid expenses	6,713	6,030
Land, property and equipment, net	<u>1,839,187</u>	<u>1,877,264</u>
	<u>\$ 7,097,263</u>	<u>\$ 7,343,051</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 158,222	\$ 201,503
Deferred revenue	47,738	10,617
Security deposits payable	<u>22,594</u>	<u>22,402</u>
Total Liabilities	<u>228,554</u>	<u>234,522</u>
Net Assets		
Without donor restrictions	4,749,609	4,919,610
With donor restrictions	<u>2,119,100</u>	<u>2,188,919</u>
Total Net Assets	<u>6,868,709</u>	<u>7,108,529</u>
	<u>\$ 7,097,263</u>	<u>\$ 7,343,051</u>

See notes to financial statements

Grace Smith House, Inc.

Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND RECLASSIFICATIONS			
Fees for service, net	\$ 845,639	\$ -	\$ 845,639
Government grants	1,196,556	-	1,196,556
Contributions	191,419	97,133	288,552
Special events	104,390	-	104,390
United Way	2,034	11,500	13,534
Contributed nonfinancial assets	71,533	-	71,533
Rental	192,948	12,498	205,446
Investment loss, net	(474,036)	-	(474,036)
Miscellaneous	12,679	-	12,679
Net assets released from restrictions	190,950	(190,950)	-
Total Revenue, Support and Reclassifications	2,334,112	(69,819)	2,264,293
EXPENSES			
Program Services			
MLHR	827,559	-	827,559
Follow Up	338,016	-	338,016
Outreach	457,640	-	457,640
Brookhaven Apartments	344,386	-	344,386
Total Program Services	1,967,601	-	1,967,601
Supporting Services			
Management and general	407,463	-	407,463
Fundraising	129,049	-	129,049
Total Supporting Services	536,512	-	536,512
Total Expenses	2,504,113	-	2,504,113
Change in Net Assets	(170,001)	(69,819)	(239,820)
NET ASSETS			
Beginning of year	4,919,610	2,188,919	7,108,529
End of year	\$ 4,749,609	\$ 2,119,100	\$ 6,868,709

Grace Smith House, Inc.

Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND RECLASSIFICATIONS			
Fees for service, net	\$ 819,510	\$ -	\$ 819,510
Government grants	1,251,984	-	1,251,984
Contributions	154,997	262,827	417,824
Special events	190,066	-	190,066
United Way	1,807	14,200	16,007
Contributed nonfinancial assets	81,719	-	81,719
Rental	175,636	11,996	187,632
Investment return, net	288,158	-	288,158
Miscellaneous	25,265	-	25,265
Net assets released from restrictions	216,790	(216,790)	-
Total Revenue, Support and Reclassifications	<u>3,205,932</u>	<u>72,233</u>	<u>3,278,165</u>
EXPENSES			
Program Services			
MLHR	774,490	-	774,490
Follow Up	278,986	-	278,986
Outreach	695,671	-	695,671
Brookhaven Apartments	222,049	-	222,049
Total Program Services	<u>1,971,196</u>	<u>-</u>	<u>1,971,196</u>
Supporting Services			
Management and general	299,706	-	299,706
Fundraising	104,621	-	104,621
Total Supporting Services	<u>404,327</u>	<u>-</u>	<u>404,327</u>
Total Expenses	<u>2,375,523</u>	<u>-</u>	<u>2,375,523</u>
Change in Net Assets	830,409	72,233	902,642
NET ASSETS			
Beginning of year	<u>4,089,201</u>	<u>2,116,686</u>	<u>6,205,887</u>
End of year	<u>\$ 4,919,610</u>	<u>\$ 2,188,919</u>	<u>\$ 7,108,529</u>

Grace Smith House, Inc.

Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services					Supporting Services			Total
	MLHR	Follow Up	Outreach	Brookhaven Apartments	Total Program Services	Management and General	Fundraising	Total Supporting Services	
PERSONNEL									
Salaries	\$ 450,694	\$ 213,135	\$ 264,054	\$ 93,633	\$ 1,021,516	\$ 294,049	\$ 79,904	\$ 373,953	\$ 1,395,469
FICA and MCTMT	33,597	15,888	19,684	6,980	76,149	21,920	5,956	27,876	104,025
Health benefits	66,622	31,506	39,033	13,841	151,002	43,467	11,812	55,279	206,281
Retirement plan contribution	14,797	6,998	8,670	3,074	33,539	9,654	2,623	12,277	45,816
Workers compensation/disability/NYS UI	13,823	6,537	8,098	2,872	31,330	9,018	2,451	11,469	42,799
Total Personnel Costs	<u>579,533</u>	<u>274,064</u>	<u>339,539</u>	<u>120,400</u>	<u>1,313,536</u>	<u>378,108</u>	<u>102,746</u>	<u>480,854</u>	<u>1,794,390</u>
OTHER EXPENSES									
Transportation	2,152	162	4,107	13	6,434	-	-	-	6,434
Activities	1,932	7,617	4,365	2,137	16,051	293	127	420	16,471
Contracted legal services	-	-	64,278	9,695	73,973	-	-	-	73,973
Purchased services	45,080	12,565	17,017	29,484	104,146	3,977	15,005	18,982	123,128
Food	11,226	456	-	-	11,682	-	-	-	11,682
Household supplies and equipment	11,383	373	421	1,709	13,886	-	-	-	13,886
Utilities	43,733	1,619	127	33,245	78,724	992	209	1,201	79,925
Repairs - plant	2,965	214	29	8,150	11,358	224	47	271	11,629
Repairs - equipment	2,609	-	-	30	2,639	300	-	300	2,939
Repairs - vehicles	1,885	-	-	-	1,885	-	-	-	1,885
Telephone and internet	6,447	298	3,778	6,519	17,042	272	118	390	17,432
Postage	291	91	129	51	562	83	388	471	1,033
Dues, licenses and permits	3,312	653	743	611	5,319	-	44	44	5,363
Office supplies	2,596	721	1,399	448	5,164	451	1,425	1,876	7,040
Conference	10	3	30	2	45	4	1	5	50
Administrative	829	308	41	1,391	2,569	323	240	563	3,132
Staff development	791	375	2,992	364	4,522	22	88	110	4,632
Contributed goods and services	37,141	9,047	11,741	10,589	68,518	-	-	-	68,518
Employee recognition	85	29	41	16	171	27	12	39	210
Professional fees	8,629	3,205	431	16,380	28,645	3,359	709	4,068	32,713
Insurance	10,887	4,044	544	18,274	33,749	4,238	894	5,132	38,881
Loss on asset disposal	-	-	-	14,359	14,359	-	-	-	14,359
Depreciation	37,993	14,112	1,900	63,773	117,778	14,790	3,121	17,911	135,689
Client assistance	1,442	7,196	3,022	232	11,892	-	-	-	11,892
Public relations	550	864	966	166	2,546	-	2,875	2,875	5,421
Bad debt expense	14,058	-	-	6,348	20,406	-	1,000	1,000	21,406
Total Other Expenses	<u>248,026</u>	<u>63,952</u>	<u>118,101</u>	<u>223,986</u>	<u>654,065</u>	<u>29,355</u>	<u>26,303</u>	<u>55,658</u>	<u>709,723</u>
Total Expenses	<u>\$ 827,559</u>	<u>\$ 338,016</u>	<u>\$ 457,640</u>	<u>\$ 344,386</u>	<u>\$ 1,967,601</u>	<u>\$ 407,463</u>	<u>\$ 129,049</u>	<u>\$ 536,512</u>	<u>\$ 2,504,113</u>

Grace Smith House, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services					Supporting Services			Total
	MLHR	Follow Up	Outreach	Brookhaven Apartments	Total Program Services	Management and General	Fundraising	Total Supporting Services	
PERSONNEL									
Salaries	\$ 370,378	\$ 198,487	\$ 335,311	\$ 73,301	\$ 977,477	\$ 233,250	\$ 65,830	\$ 299,080	\$ 1,276,557
FICA and MCTMT	27,279	14,619	24,696	5,399	71,993	17,179	4,849	22,028	94,021
Health benefits	51,549	27,625	46,669	10,202	136,045	32,464	9,162	41,626	177,671
Workers compensation/disability/NYS UI	10,775	5,774	9,754	2,132	28,435	6,785	1,915	8,700	37,135
Total Personnel Costs	<u>459,981</u>	<u>246,505</u>	<u>416,430</u>	<u>91,034</u>	<u>1,213,950</u>	<u>289,678</u>	<u>81,756</u>	<u>371,434</u>	<u>1,585,384</u>
OTHER EXPENSES									
Transportation	1,168	46	2,582	177	3,973	-	-	-	3,973
Activities	1,466	2,963	670	1,079	6,178	260	141	401	6,579
Contracted legal services	-	-	220,365	9,502	229,867	-	-	-	229,867
Purchased services	36,688	8,104	16,096	19,517	80,405	8,607	14,147	22,754	103,159
Food	8,316	578	-	100	8,994	-	-	-	8,994
Household supplies and equipment	10,800	366	632	2,449	14,247	-	2,212	2,212	16,459
Utilities	34,545	1,093	-	29,920	65,558	-	-	-	65,558
Repairs - plant	4,726	-	-	8,732	13,458	-	-	-	13,458
Repairs - equipment	-	-	-	124	124	345	-	345	469
Repairs - vehicles	1,052	-	-	-	1,052	-	-	-	1,052
Telephone and internet	6,562	385	5,621	6,556	19,124	414	208	622	19,746
Postage	153	35	70	32	290	38	2,406	2,444	2,734
Dues, licenses and permits	2,340	261	810	346	3,757	-	18	18	3,775
Office supplies	3,972	4,084	2,931	794	11,781	319	2,549	2,868	14,649
Administrative	4,047	-	-	926	4,973	-	-	-	4,973
Staff development	564	603	4,299	13	5,479	19	10	29	5,508
Contributed goods and services	37,974	9,344	21,238	12,412	80,968	-	-	-	80,968
Employee recognition	72	24	48	17	161	26	13	39	200
Professional fees	23,034	-	-	5,274	28,308	-	-	-	28,308
Insurance	27,742	-	-	6,353	34,095	-	-	-	34,095
Depreciation	106,347	-	-	24,350	130,697	-	-	-	130,697
Client assistance	1,438	4,547	3,207	1,779	10,971	-	-	-	10,971
Public relations	195	48	672	63	978	-	1,161	1,161	2,139
Bad debt expense	1,308	-	-	500	1,808	-	-	-	1,808
Total Other Expenses	<u>314,509</u>	<u>32,481</u>	<u>279,241</u>	<u>131,015</u>	<u>757,246</u>	<u>10,028</u>	<u>22,865</u>	<u>32,893</u>	<u>790,139</u>
Total Expenses	<u>\$ 774,490</u>	<u>\$ 278,986</u>	<u>\$ 695,671</u>	<u>\$ 222,049</u>	<u>\$ 1,971,196</u>	<u>\$ 299,706</u>	<u>\$ 104,621</u>	<u>\$ 404,327</u>	<u>\$ 2,375,523</u>

Grace Smith House, Inc.

Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (239,820)	\$ 902,642
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	135,689	130,697
Bad debt expense	21,406	1,808
Loss on disposal of land, property and equipment	14,359	-
Realized and unrealized loss (gains) on investments	533,673	(241,809)
Changes in operating assets and liabilities		
Accounts receivable	82,783	(20,149)
Prepaid expenses	(683)	(5,382)
Accounts payable and accrued expenses	(43,281)	(27,737)
Deferred revenue	37,121	(5,399)
Security deposits payable	192	7,580
Net Cash from Operating Activities	541,439	742,251
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	110,165	289,890
Purchase of investments	(519,036)	(1,243,070)
Purchase of land, property and equipment	(111,971)	(90,284)
Net Cash from Investing Activities	(520,842)	(1,043,464)
 Net Change in Cash and Cash Equivalents	20,597	(301,213)
 CASH AND CASH EQUIVALENTS		
Beginning of year	474,385	775,598
 End of year	\$ 494,982	\$ 474,385

See notes to financial statements

Grace Smith House, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

1. Organization and Taxation

Grace Smith House, Inc. (the “Organization”) is a not-for-profit organization incorporated in New York State in 1981. The mission of the Organization is to enable individuals and families to live free from domestic violence by providing shelter and apartments, advocacy, counseling and education; raising the consciousness of the community regarding the extent, type and seriousness of domestic violence and by taking positions on public policies in order to provide options which empower victims. The Organization provides a full spectrum of client centered, trauma informed assistive services to victims of domestic violence and their minor children. Services include a 24/7/365 domestic violence crisis hotline; the Mary Lou Heissenbuttel Residence (“MLHR”), which is a 25 bed emergency shelter; 15 transitional housing apartments; non-residential services for victims residing in the community; children’s programming; and a prevention and education program. Advocates and counselors provide crisis intervention, intensive case management, safety planning, risk assessment, information and referral, counseling and emotional support, support groups, legal advocacy, court advocacy and accompaniment, and transportation. The Organization has advocates embedded in Dutchess County Family Court and Child Protective Services offices. The Organization also has specialized advocates working with Latina victims and collaborates with various community service providers to assist victims as needed. The outreach program educates the community, service providers, healthcare personnel, church groups, high school and middle school students and school administrators on issues of abuse in relationships. Future plans for the Organization include the possibility of building and / or expansion of new shelter facilities. All services are based on an empowerment philosophy, are conducted in a trauma informed manner and are free and confidential to victims of domestic violence.

The Organization has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal and state income taxes has been recognized in the accompanying financial statements. The Organization has been classified as an organization that is not a private foundation under Section 509(a) and has been designated as a publicly supported organization under Section 170(b)(1)(A)(vi). Contributions to the Organization are tax-deductible within the limitations prescribed by the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Grace Smith House, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Change in Accounting Policy

The Organization adopted Financial Accounting Standards Board (“FASB”) Topic 842, *Leases*, using the effective date method with January 1, 2022, as the date of initial adoption, with certain practical expedients available. The Organization elected the available practical expedients to account for its existing operating leases as operating leases, under the guidance, without reassessing (a) whether the contracts contains leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. Adoption of the standard did not have a material impact on the Organization’s statements of financial positions related to lessor or lessee accounting.

Adoption of New Accounting Guidance

Contributed Nonfinancial Assets

In September 2020, the FASB issued Accounting Standards Update No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires organizations that receive contributed nonfinancial assets to present them on a separate line in the statement of activities. The guidance also requires new disclosures to help financial statement users better understand what type of nonfinancial assets were received and how they were used and recognized by the Organization.

The Organization adopted the requirements of the new standard effective January 1, 2022 and is applied retrospectively to all periods presented. The new disclosure requirements include:

- A disaggregation of the amount of contributed nonfinancial assets by category that details the type of contributed nonfinancial assets reported in the statement of activities;
- Qualitative information about whether the contributed nonfinancial assets were monetized or utilized and, if utilized, a description of the specific programs or other activities in which those contributed nonfinancial assets were used;
- A description of any donor-imposed restrictions on the contributed nonfinancial assets;
- A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition; and
- The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

Adoption of this standard did not have any impact on the operations or net assets of the Organization.

Grace Smith House, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Financial Statement Presentation

Net assets are classified based on the presence or absence of donor imposed restrictions. Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Without donor restrictions – consist of resources available for the general support of the Organization's operations. Net assets without donor restrictions may be used at the discretion of the Organization's management and Board of Directors (the "Board").

With donor restrictions – represent amounts contributed by donors for specific activities of the Organization or to be used at some future date. The Organization records contributions as with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Amounts restricted by donors for the Organization's operating programs whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Revenue Recognition

Fees for service is the revenue stream that is accounted for as an exchange transaction. Because the Organization's performance obligations relate to contracts with a duration of one year or less, the Organization has elected to apply the optional exemption provided by the guidance and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Organization uses a portfolio approach as a practical expedient to account for categories of contracts as collective groups, rather than recognizing revenue on an individual contract basis. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

The Organization has elected the practical expedient and does not adjust the promised amount of consideration from fees for services for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a client and the time that the revenue is received for that service will be one year or less.

Grants and Contributions

Government grants are third-party reimbursement contracts for specific programs. Revenue is recognized when the service is provided and the corresponding expense is incurred. Unconditional contributions are recognized as revenue in the period received or pledged.

Grace Smith House, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Fees for Service

Fees for service revenue consist primarily of funding from the Department of Community and Family Services (“DCFS”). Payments are generally paid based upon per diem county rates for the number of bed nights provided.

Rental Income

Rental income is recognized in the period it is earned and is reported at estimated net realizable amounts. Rental payments received in advance are deferred until earned. All leases between the Organization and the tenants of the Transitional Housing Program are operating leases.

In-kind Donations

Donated services that require specialized skills, provided by individuals possessing those skills, that would typically need to be purchased if not provided by donation, and donated goods, are recorded at their fair values in the period received.

Cash and Cash Equivalents

Except for those cash equivalents which are included in the Organization’s investment portfolio which are held for long-term investment purposes, cash and cash equivalents include cash balances held in bank accounts and highly liquid debt instruments with maturities of three months or less at the time of purchase.

Investment Income Valuation and Recognition

Investments are measured at fair value with changes therein recognized in the statements of activities. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Fair Value of Financial Instruments

The Organization follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount that management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts.

Grace Smith House, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable and Allowance for Doubtful Accounts (continued)

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to fees for service revenue in the period of change. Portfolio collection estimates are updated based on collection trends. Subsequent changes that are determined to be the result of an adverse change in collectability (determined on a portfolio basis, when applicable) are recorded as provision for bad debt.

Balances that remain outstanding after management has used reasonable collection efforts are written off through a reduction in the valuation allowance and a reduction in accounts receivable.

Land, Property and Equipment

Land, property and equipment purchases over \$1,000 with useful lives greater than one year are capitalized and stated at cost, less accumulated depreciation. Donated assets are capitalized at fair value at the time of the donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Maintenance, routine repairs and minor replacements are charged to operations as incurred, while those improvements which materially extend the lives of existing assets are capitalized.

Deferred Revenue

Deferred revenue consists of advanced payments received for operations for the following year.

Functional Allocation of Expenses

The costs of providing the Organization's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management.

Grace Smith House, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies *(continued)*

Functional Allocation of Expenses (continued)

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Total personnel cost	Time and effort
Transportation	Purpose and function
Activities	Purpose and function
Contracted legal services	Purpose and function
Purchased services	Purpose and function
Food	Purpose and function
Household supplies and equipment	Purpose and function
Utilities	Purpose and function
Repairs - plant	Purpose and function
Repairs - equipment	Purpose and function
Telephone and internet	Purpose and function
Postage	Purpose and function
Dues, licenses and permits	Purpose and function
Office supplies	Purpose and function
Conference	Purpose and function
Administrative	Purpose and function
Staff development	Purpose and function
Contributed goods and services	Purpose and function
Employee recognition	Purpose and function
Professional fees	Purpose and function
Insurance	Purpose and function
Depreciation	Square footage
Client assistance	Purpose and function
Public relations	Purpose and function
Bad debt expense	Purpose and function

Advertising

The Organization uses advertising to promote its programs among the population it serves. All costs associated with advertising are expensed in the year incurred, which approximated \$400 and \$0 in 2022 and 2021.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effects of income tax positions only when they are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition and/or disclosure. The Organization is no longer subject to examination by applicable taxing jurisdictions for periods prior to December 31, 2019.

Grace Smith House, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies *(continued)*

Reclassifications

Certain amounts for 2021 have been reclassified to conform with the 2022 financial statement presentation. These reclassifications have no effect on net assets.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 28, 2023.

3. Liquidity and Availability

The Organization's working capital and cash flows have seasonal variations during the year attributable to annual cash receipts from specific fundraising events, grant and contract revenue, and a concentration of contributions received near the calendar year end. To manage cash flow and liquidity, the Organization is diligent in seeking and keeping diversified funding streams and has been awarded various multi-year funding contracts. The Organization also maintains a line of credit of \$125,000 with a bank. The line of credit has not been drawn down but is available if needed.

Financial assets available for general expenditures within one year of December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 7,097,263	\$ 7,343,051
Less		
Prepaid expenses	6,713	6,030
Net assets with donor restrictions, less construction in progress	1,614,433	1,684,252
Land, property and equipment, net	<u>1,839,187</u>	<u>1,877,264</u>
Financial Assets Available Within One Year	<u>\$ 3,636,930</u>	<u>\$ 3,775,505</u>

4. Investments and Investment (Loss) Return

The following are major categories of investments measured at fair value and categorized by fair value hierarchy for those investments measured at fair value at December 31:

	<u>2022</u>	<u>2021</u>
Quoted Price In Active Market for Identical Assets (Level 1)		
Common stock	\$ 956,270	\$ 1,037,724
Mutual funds	418,320	217,186
Exchange traded funds	<u>2,424,263</u>	<u>2,639,502</u>
	3,798,853	3,894,412
Cash and cash equivalents	<u>530,257</u>	<u>559,500</u>
	<u>\$ 4,329,110</u>	<u>\$ 4,453,912</u>

Grace Smith House, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

4. Investments and Investment (Loss) Return (continued)

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

	2022	2021
Interest and dividends	\$ 80,957	\$ 62,678
Unrealized (loss) gain, net	(572,999)	209,859
Realized gains, net	39,326	31,950
Investment fees	(21,320)	(16,329)
	\$ (474,036)	\$ 288,158

5. Accounts Receivable, net

Accounts receivable, net consist of the following at December 31:

	2022	2021
Grants	\$ 308,949	\$ 398,027
DCFS per diem services	170,951	183,017
Rents	3,188	9,416
Donations	4,183	1,000
	487,271	591,460
Allowance for doubtful accounts	(60,000)	(60,000)
	\$ 427,271	\$ 531,460

6. Land, Property and Equipment, net

Land, property and equipment, net consist of the following at December 31:

	Useful Life	2022	2021
Land	-	\$ 314,590	\$ 330,775
Buildings and building improvements	5-40	3,214,288	3,174,718
Furniture and equipment	3-15	345,831	278,191
Transportation equipment	5	80,424	80,424
Construction in progress	-	504,667	504,667
		4,459,800	4,368,775
Accumulated depreciation		(2,620,613)	(2,491,511)
		\$ 1,839,187	\$ 1,877,264

7. Contract Receivable

The following are the contract receivable balances as of December 31:

	2022	2021	2020
DCFS per diem services	\$ 170,951	\$ 183,017	\$ 187,230

Grace Smith House, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

8. Line of Credit

The Organization maintains a line of credit agreement with a bank in the amount of \$125,000 which matures on July 31, 2023 and is expected to be renewed upon maturity. The line of credit is secured by all accounts receivable and equipment. Interest is calculated at the Wall Street Journal Prime Rate plus 1.25% (8.75% at December 31, 2022 and 4.75% at December 31, 2021). There was no outstanding balance as of December 31, 2022 and 2021. The line of credit requires that the Organization maintain a zero balance on the line for a period of 30 consecutive days during the term of the loan.

9. Net Assets

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

	<u>2022</u>	<u>2021</u>
Acquisition or construction of a shelter	\$ 1,000,000	\$ 1,000,000
Time or program restricted for programs, operations and capital projects	<u>1,119,100</u>	<u>1,188,919</u>
	<u>\$ 2,119,100</u>	<u>\$ 2,188,919</u>

As of December 31, 2022 and 2021, the Organization has spent approximately \$505,000 towards construction of a new shelter. The corresponding funds will be released from net assets with donor restrictions once the shelter is placed into service.

Net assets were released from restriction for the following purposes for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Time or program restricted for programs, operations and capital projects	<u>\$ 190,950</u>	<u>\$ 216,790</u>

10. Retirement Plan

The Organization maintains a retirement plan (the "Plan") that is an employer contribution only plan. The Organization considers making annual contributions to the Plan on behalf of covered employees based on a percentage of employees' salaries. The percentage is determined annually by the Organization's Board. Contributions to the Plan were approximately \$46,000 and \$0 for the years ended December 31, 2022 and 2021.

11. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash on deposit with financial institutions, and investments held at financial institutions, and receivables.

Grace Smith House, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

11. Concentrations of Credit Risk *(continued)*

Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation (“FDIC”) are insured up to \$250,000. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation (“SIPC”) are insured up to \$500,000 (\$250,000 for cash holdings). At times cash balances may exceed the FDIC and/or the SIPC limit.

As of December 31, 2022 and 2021, the Organization had uninsured cash of approximately \$262,000 and \$220,000 on deposit. As of December 31, 2022 and 2021, the Organization’s uninsured investment holdings totaled approximately \$3,299,000 and \$3,394,000. The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment, investment advisor, investment manager or group of investments represents a significant concentration of credit risk.

The Organization receives a substantial amount of its support from governmental agencies. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities. The Organization has not experienced any losses and believes that no significant concentration of credit risk exists with respect to its receivables.

12. Related Party Transactions

At times the Organization will utilize the services of the Board in their respective businesses. These services are conducted as part of the normal course of business.

13. Contributed Nonfinancial Assets and Services

Contributed nonfinancial assets and services consisted of the following for the years ended December 31:

<u>Nonfinancial Asset</u>	<u>2022 Revenue Recognized</u>	<u>2021 Revenue Recognized</u>	<u>Monetized or Utilized</u>	<u>Utilization in Function</u>	<u>Donor Restrictions</u>	<u>Valuation Technique</u>
Food	\$ 9,412	\$ 6,477	Utilized	Program service	None	Fair value
Services	1,815	2,429	Utilized	Program service	None	Current service rates
Household and supplies	<u>60,306</u>	<u>72,813</u>	Utilized	Program service	None	Fair value
	<u>\$ 71,533</u>	<u>\$ 81,719</u>				

14. Risks and Uncertainties

Market factors can result in substantial volatility in the global financial markets. Because the value of the Organization’s individual investments has and will fluctuate in response to changing market conditions, the amount of losses, if any, that will be recognized in subsequent periods, cannot be determined.

15. Commitments and Contingencies

From time to time, various claims and suits generally incident to the conduct of normal business are pending or may arise against the Organization. In the opinion of legal counsel and management of the Organization, after taking into account insurance coverage, losses, if any, resolution of pending litigation should not have a material effect on the Organization’s financial position or results of operations.

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Grace Smith House, Inc.

Supplemental Information

December 31, 2022 and 2021

Grace Smith House, Inc.
Supplemental Schedule of Revenue and Support
Year Ended December 31, 2022

	Program Services							Total
	MLHR	Follow Up	Outreach	Brookhaven Apartments	Program Services	Management and General	Fundraising	
REVENUE AND SUPPORT								
Fees for service, net	\$ 845,639	\$ -	\$ -	\$ -	\$ 845,639	\$ -	\$ -	\$ 845,639
Government grants	331,149	303,379	393,717	149,806	1,178,051	18,505	-	1,196,556
Contributions	-	-	-	-	-	-	288,552	288,552
Special events	-	-	-	-	-	-	104,390	104,390
United Way	3,697	5,232	2,670	907	12,506	1,028	-	13,534
Contributed nonfinancial assets	38,341	9,047	11,741	12,404	71,533	-	-	71,533
Rental	-	-	-	205,446	205,446	-	-	205,446
Investment return, net	(246,387)	(63,536)	(82,460)	(74,370)	(466,753)	(7,283)	-	(474,036)
Miscellaneous	-	-	-	-	-	12,679	-	12,679
Total Revenue and Support	<u>\$ 972,439</u>	<u>\$ 254,122</u>	<u>\$ 325,668</u>	<u>\$ 294,193</u>	<u>\$ 1,846,422</u>	<u>\$ 24,929</u>	<u>\$ 392,942</u>	<u>\$ 2,264,293</u>

Grace Smith House, Inc.
Supplemental Schedule of Revenue and Support
Year Ended December 31, 2021

	Program Services							Total
	MLHR	Follow Up	Outreach	Brookhaven Apartments	Total Program Services	Management and General	Fundraising	
REVENUE AND SUPPORT								
Fees for service, net	\$ 819,510	\$ -	\$ -	\$ -	\$ 819,510	\$ -	\$ -	\$ 819,510
Government grants	189,016	263,427	598,940	162,424	1,213,807	38,177	-	1,251,984
Contributions	-	-	-	-	-	-	417,824	417,824
Special events	-	-	-	-	-	-	190,066	190,066
United Way	4,761	5,540	4,165	491	14,957	1,050	-	16,007
Contributed nonfinancial assets	38,842	9,155	20,809	12,163	80,969	-	750	81,719
Rental	-	-	-	187,632	187,632	-	-	187,632
Investment return, net	127,979	33,403	75,923	44,373	281,678	6,480	-	288,158
Miscellaneous	-	-	-	-	-	25,265	-	25,265
Total Revenue and Support	<u>\$ 1,180,108</u>	<u>\$ 311,525</u>	<u>\$ 699,837</u>	<u>\$ 407,083</u>	<u>\$ 2,598,553</u>	<u>\$ 70,972</u>	<u>\$ 608,640</u>	<u>\$ 3,278,165</u>