AUDITED
FINANCIAL STATEMENTS

HOMESPACE CORPORATION

DECEMBER 31, 2016

HOMESPACE CORPORATION

CONTENTS

FreedMaxick™ CPAs, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Homespace Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Homespace Corporation which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statement of activities and changes in net assets and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Homespace Corporation as of December 31, 2016 and 2015, 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 9 is presented for purposes of additional analysis and is 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 audits 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Freed Maxick CPAs, P.C.

Buffalo, New York
June 28, 2017

HOMESPACE CORPORATION

STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS	2016	2015
Current assets:		
Cash and cash equivalents	**$ 738,631**	$ 640,946
Accounts receivable, net of $7,000 allowance for doubtful accounts ($0 - 2015)	**205,377**	218,518
Prepaid expense	**12,703**	17,432
Other current assets	**1,891**	-
Total current assets	**958,602**	876,896
Replacement Reserve	**14,214**	14,246
Land, building and equipment, net	**1,380,964**	1,363,918
Total assets	**$ 2,353,780**	$ 2,255,060
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable - trade	**$ 8,024**	$ 32,444
Accrued expenses	**41,707**	33,092
Total current liabilities	**49,731**	65,536
Net assets:		
Unrestricted	**2,301,549**	2,184,091
Temporarily restricted	**2,500**	5,433
Total net assets	**2,304,049**	2,189,524
Total liabilities and net assets	**$ 2,353,780**	$ 2,255,060

See accompanying notes.

HOMESPACE CORPORATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31,

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Contributions and grants	$ 93,898	$ 2,500	$ 96,398	$ 65,899	$ 26,700	$ 92,599
Resident shelter allowance	1,847,323	-	1,847,323	1,651,535	-	1,651,535
Net assets released from restrictions	5,433	(5,433)	-	21,267	(21,267)	-
Total public support and revenue	1,946,654	(2,933)	1,943,721	1,738,701	5,433	1,744,134
Expenses:						
Program services	1,502,408	-	1,502,408	1,365,414	-	1,365,414
Management and general	232,696	-	232,696	211,452	-	211,452
Fundraising	23,012	-	23,012	54,347	-	54,347
Depreciation expense	91,795	-	91,795	84,066	-	84,066
Total expenses	1,849,911	-	1,849,911	1,715,279	-	1,715,279
Income (loss) from operations	96,743	(2,933)	93,810	23,422	5,433	28,855
Other income and (expense):						
Interest income	684	-	684	657	-	657
Loss on disposal of assets	(660)	-	(660)	(2,545)	-	(2,545)
Other income	20,691	-	20,691	3,095	-	3,095
Total other income	20,715	-	20,715	1,207	-	1,207
Change in net assets	117,458	(2,933)	114,525	24,629	5,433	30,062
Net assets - beginning of year	2,184,091	5,433	2,189,524	2,159,462	-	2,159,462
Net assets - end of year	$ 2,301,549	$ 2,500	$ 2,304,049	$ 2,184,091	$ 5,433	$ 2,189,524

See accompanying notes.

HOMESPACE CORPORATION

STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ 114,525**	$ 30,062
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**91,795**	84,066
Increase in allowance for doubtful accounts	**7,000**	-
Loss on disposal of assets	**660**	2,545
Donated property and equipment	**4,063**	7,127
(Increase) decrease in assets:		
Accounts receivable	**6,141**	27,526
Prepaid expenses	**4,729**	30,957
Other current assets	**(1,891)**	-
Increase (decrease) in liabilities:		
Accounts payable - trade	**(24,420)**	(5,387)
Accrued expenses	**8,615**	15,345
Net cash provided by operating activities	**211,217**	192,241
Cash flows from investing activities:		
Purchases of property and equipment	**(113,564)**	(67,922)
Decrease in replacement reserve	**32**	33
Net cash used by investing activities	**(113,532)**	(67,889)
Net increase in cash and cash equivalents	**97,685**	124,352
Cash and cash equivalents - beginning of year	**640,946**	516,594
Cash and cash equivalents - end of year	**$ 738,631**	$ 640,946

See accompanying notes.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Homespace Corporation (the Organization) was incorporated October 16, 1989 in New York State and is a not-for-profit corporation engaged in providing a safe and nurturing transitional living environment with supportive services for single parent families and individuals that prepares them to achieve and maintain their independence.

Basis of Presentation: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Display of Net Assets by Class: The net assets of the Organization are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted net asset class.

Cash and Cash Equivalents: The Organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to concentration of credit risk consist of cash accounts in financial institutions. Although the cash accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institutions. Management reviews the financial viability of these institutions on a periodic basis.

Accounts Receivable: Accounts receivable are stated at cost. The Organization has not experienced any significant losses on such accounts and believes it is not exposed to any significant credit risk on accounts receivable. On a periodic basis, the Organization evaluates its allowance for uncollectible accounts, based upon history of past write-offs and collections. Management has determined that an allowance for doubtful accounts of approximately $7,000 is necessary as of December 31, 2016. There was no allowance for doubtful accounts for the year ended December 31, 2015.

Property and Equipment: The Organization follows the practice of recording fixed assets at cost, or if donated, at fair value at the date of donation. Ordinary repairs and maintenance are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 5 to 40 years. Depreciation expense for the year ended December 31, 2016 was $91,795 ($84,066 – 2015).

Impairment of Long Lived Assets: The Organization reviews long-lived assets to be held and used by the Organization for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In determining whether there is an impairment of long-lived assets, the Organization compares the sum of the expected future net cash flows (undiscounted and without interest charges) to the carrying amount of the assets. At December 31, 2016 and 2015, no impairment has been recognized.

In-Kind Contributions: Donated supplies, clothing, equipment and other are recorded at their fair market value when received and recorded as contribution revenue, and capitalized or recorded as an offsetting expense where applicable.

Contributions and Grants: The Organization recognizes all contributions and grants as income in the period received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donor-restricted support for a specific purpose is reported as an increase in temporarily restricted net assets. Upon satisfaction of the restriction, amounts are shown as net assets released from restriction in the statement of activities. As of December 31, 2016, there was $2,500 of temporarily restricted net assets restricted for the costs associated with kitchen renovations and nutrition education for residents ($5,433 – 2015).

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Shelter Allowance: The Organization has contracts in place with various counties in Upstate New York in order to provide supportive services. The Organization recognizes revenue based on occupancy as the Organization receives a daily rate which is determined annually by the New York State Office of Children and Family Services.

Functional Allocation of Expenses: The direct costs of providing the various program services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising: The Organization expenses all advertising costs when incurred. Advertising expense for the Organization totaled $12,508 for the year ended December 31, 2016 ($17,785 – 2015).

Income Taxes: The Organization is exempt from federal income tax as provided in the regulations set forth in the Section 501(c)(3) of the Internal Revenue Code. The Organization accounts for uncertain tax positions in accordance with U.S. GAAP, which requires the recognition and measurement of uncertain tax positions that the Organization has taken or expects to take in the Organization's tax return. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

The Organization files its Return of Organization Exempt from Income Tax in the U.S federal jurisdiction and its Annual Filing of Charitable Organizations in New York State.

Accounting Estimates: The process of preparing financial statements in conformity with generally accepted accounting principles in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Accordingly, actual results could differ from estimated amounts.

Recently Issued Accounting Pronouncements: In August 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standard Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which will improve current net asset classification requirements and the information presented in financial statements and footnotes about a not-for-profit's liquidity, financial performance, and cash flows. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

Reclassification: Certain 2015 balances were reclassified to conform to the 2016 presentation.

Subsequent Events: These financial statements have not been updated for subsequent events occurring after June 28, 2017, which is the date these financial statements were available to be issued.

NOTE 2. REPLACEMENT RESERVE

In 2007, as a result of its grant enforcement note with the New York Homeless Housing and Assistance Corporation (HHAC), a replacement reserve account was created with a $13,784 deposit from HHAC. All withdrawals from the account must be pre-approved by HHAC. Upon the satisfactory completion of all its obligations under the grant enforcement note, the Corporation may request the release of all funds that remain on deposit in the account. (See Note 4). The balance at December 31, 2016 was $14,214 ($14,246 – 2015). These funds are invested in a money market fund with M&T Securities with interest at .02%.

NOTE 3. LAND, BUILDING AND EQUIPMENT

Property and equipment at December 31, 2016 and 2015 is as follows:

	2016	2015
Land	**$ 84,599**	$ 84,599
Building and improvements	**2,129,870**	2,068,862
Furniture and equipment	**299,910**	329,602
Vehicles	**72,519**	45,125
	2,586,898	2,528,188
Less accumulated depreciation	**(1,205,934)**	(1,164,270)
	$ 1,380,964	$ 1,363,918

NOTE 4. CONTINGENT LIABILITY

The Organization entered into a grant enforcement note payable with the New York State Homeless Housing and Assistance Corporation (HHAC), on November 9, 2004, for the construction of a second facility located in Buffalo. The total amount of this note is $901,900, which was previously recognized into revenue, and is secured by the property. The mortgage is for 25 years, at no interest, with no scheduled payments and will be forgiven at the end of the term (October 2030). Under the terms of the grant enforcement note with HHAC, the property must be used for 25 years as housing for persons who would otherwise be homeless. If the Organization does not comply with the terms of the agreement, the amount provided will be considered to be in default and the original amount provided shall be immediately due and payable.

NOTE 5. RENT

Effective for the year ended December 31, 2016, the Organization leases administrative office space under an operating lease agreement expiring June 30, 2018. Rent expense for the year ended December 31, 2016 was $15,582 under the agreement. Approximate future annual minimum lease payments under this lease are approximately $30,000 in 2017 and $16,000 in 2018.

During the year ended December 31, 2015, the Organization was leasing temporary administrative office space on a month-to-month basis with rent at $350 per month, per office utilized. Rent expense for the year ended December 31, 2015 was $9,914 under the agreement.

The Organization leases off-site apartments for qualifying residents under its independent living program. Lease terms are generally expected to be no more than for a one year term. Rent expense under this program was $24,135 in 2016 ($16,328 – 2015). The approximate total minimum rental commitment as of December 31, 2016 is due in 2017 amounting to $10,625 ($5,850 – 2015).

HOMESPACE CORPORATION

SCHEDULE OF FUNCTIONAL EXPENSES
For the Years Ended December 31,

2016

	Program Services	Management and General	Fundraising	Total
Salaries expense	$ 798,589	$ 139,446	1,044	$ 939,079
Program supplies	287,425	-	-	287,425
Payroll taxes and employee benefits	194,121	33,913	253	228,287
Depreciation	87,205	4,590	-	91,795
Repair and maintenance	53,858	17,952	-	71,810
Utilities	55,449	-	-	55,449
Rent	31,926	7,791	-	39,717
Insurance	30,249	3,559	1,779	35,587
Office	11,916	8,642	4	20,562
Conference and training	12,472	3,947	126	16,545
Professional fees	4,779	11,152	-	15,931
Printing and publicity	2,502	2,502	7,504	12,508
Special events	-	-	12,287	12,287
Telephone	9,684	1,692	13	11,389
Donations	4,063	-	-	4,063
Consultant fees	683	1,592	-	2,275
Postage	1,732	303	2	2,037
Dues, licenses and subscriptions	1,703	205	-	1,908
Other	1,257	-	-	1,257
Total expenses	$ 1,589,613	$ 237,286	$ 23,012	$ 1,849,911

2015

	Program Services	Management and General	Fundraising	Total
Salaries expense	$ 719,858	$ 115,410	20,941	$ 856,209
Program supplies	256,129	-	-	256,129
Payroll taxes and employee benefits	184,957	29,653	5,380	219,990
Depreciation	79,863	4,203	-	84,066
Repair and maintenance	54,543	18,181	-	72,724
Utilities	54,065	-	-	54,065
Rent	21,285	4,957	-	26,242
Insurance	21,965	2,581	1,292	25,838
Consultant fees	7,698	17,960	-	25,658
Printing and publicity	3,557	3,557	10,671	17,785
Special events	-	-	15,322	15,322
Office	8,667	6,409	119	15,195
Conference and training	10,165	2,860	317	13,342
Professional fees	3,446	8,040	-	11,486
Telephone	9,419	1,510	274	11,203
Donations	7,127	-	-	7,127
Dues, licenses and subscriptions	1,544	174	2	1,720
Postage	989	160	29	1,178
Total expenses	$ 1,445,277	$ 215,655	$ 54,347	$ 1,715,279