AUDITED
FINANCIAL STATEMENTS

HOMESPACE CORPORATION

DECEMBER 31, 2018

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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses 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, 2018 and 2017, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Freed Maxick CPAs, P.C.

Buffalo, New York
July 1, 2019

HOMESPACE CORPORATION

STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS	2018	2017
Current assets:		
Cash and cash equivalents	**$ 377,892**	$ 375,741
Accounts receivable	**483,393**	349,853
Prepaid expense	**37,009**	36,771
Other current assets	**2,541**	16,891
Total current assets	**900,835**	779,256
Replacement reserve	**14,324**	14,204
Investments	**493,442**	460,397
Land, building and equipment, net	**1,423,170**	1,356,800
Total assets	**$ 2,831,771**	$ 2,610,657
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable - trade	**$ 11,550**	$ 27,149
Accrued expenses	**59,866**	44,931
Total current liabilities	**71,416**	72,080
Net assets:		
Without donor restrictions	**2,760,355**	2,515,935
With donor restrictions	**-**	22,642
Total net assets	**2,760,355**	2,538,577
Total liabilities and net assets	**$ 2,831,771**	$ 2,610,657

See accompanying notes.

HOMESPACE CORPORATION

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

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:						
Contributions and grants	$ 61,114	$ 28,815	$ 89,929	$ 32,818	$ 69,000	$ 101,818
Resident shelter allowance	2,638,716	-	2,638,716	2,118,587	-	2,118,587
Net assets released from restrictions	51,457	(51,457)	-	48,858	(48,858)	-
Total public support and revenue	2,751,287	(22,642)	2,728,645	2,200,263	20,142	2,220,405
Expenses:						
Program services	2,323,771	-	2,323,771	1,759,157	-	1,759,157
Management and general	132,064	-	132,064	215,892	-	215,892
Fundraising	33,405	-	33,405	37,845	-	37,845
Total expenses	2,489,240	-	2,489,240	2,012,894	-	2,012,894
Income (loss) from operations	262,047	(22,642)	239,405	187,369	20,142	207,511
Other (expense) and income:						
Net investment return	(16,776)	-	(16,776)	10,878	-	10,878
Loss on disposal of assets	(851)	-	(851)	(851)	-	(851)
Other income	-	-	-	16,990	-	16,990
Total other (expense) income	(17,627)	-	(17,627)	27,017	-	27,017
Change in net assets	244,420	(22,642)	221,778	214,386	20,142	234,528
Net assets - beginning of year	2,515,935	22,642	2,538,577	2,301,549	2,500	2,304,049
Net assets - end of year	$ 2,760,355	$ -	$ 2,760,355	$ 2,515,935	$ 22,642	$ 2,538,577

See accompanying notes.

HOMESPACE CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018
(with summarized information for the year ended December 31, 2017)

	Program Services					Supporting Services		Total All Services	
	Homespace	Second Chance Home	Next Step	Independent Living Program	Total Program Services	Management and General	Fundraising	2018	2017
Salaries expense	$ 332,073	$ 627,502	$ 191,653	$ 64,463	$ 1,215,691	$ 84,726	$ 16,138	**$ 1,316,555**	$ 1,061,168
Program supplies	174,647	118,377	32,150	16,430	341,604	-	-	**341,604**	277,133
Payroll taxes and employee benefits	69,840	139,679	23,280	18,519	251,318	17,515	3,336	**272,169**	219,914
Depreciation	42,453	60,867	2,898	-	106,218	1,447	-	**107,665**	98,136
Repair and maintenance	64,274	30,128	6,026	-	100,428	-	-	**100,428**	74,183
Rent	52,212	29,172	12,477	-	93,861	4,753	1,584	**100,198**	80,230
Utilities	44,202	20,720	4,144	-	69,066	-	-	**69,066**	60,493
Office	11,697	13,627	11,579	3,915	40,818	7,499	1,324	**49,641**	30,567
Insurance	11,633	15,511	11,634	-	38,778	6,843	-	**45,621**	39,997
Conference and training	3,201	13,644	6,437	250	23,532	2,363	-	**25,895**	17,386
Printing and publicity	1,388	6,940	5,552	315	14,195	946	3,785	**18,926**	17,934
Telephone	5,109	5,265	5,109	1,200	16,683	1,854	-	**18,537**	13,734
Professional fees	2,451	2,525	2,451	1,500	8,927	3,826	-	**12,753**	12,150
Special events	-	-	-	-	-	-	7,175	**7,175**	4,607
Dues, licenses and subscriptions	767	700	680	-	2,147	229	-	**2,376**	1,659
Postage	167	171	167	-	505	63	63	**631**	2,101
Donations	-	-	-	-	-	-	-	**-**	1,502
Total expenses	$ 816,114	$ 1,084,828	$ 316,237	$ 106,592	$ 2,323,771	$ 132,064	$ 33,405	**$ 2,489,240**	$ 2,012,894

HOMESPACE CORPORATION

STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ 221,778**	$ 234,528
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**107,665**	98,136
Decrease in allowance for doubtful accounts	**(3,511)**	(2,527)
Loss on disposal of assets	**851**	851
Land, building and equipment donated to residents	**-**	1,502
Net investment return	**16,776**	(10,878)
(Increase) decrease in assets:		
Accounts receivable	**(130,029)**	(141,949)
Prepaid expenses	**(238)**	(24,068)
Other current assets	**14,350**	(15,000)
Increase (decrease) in liabilities:		
Accounts payable - trade	**(15,599)**	19,125
Accrued expenses	**14,935**	3,224
Net cash provided by operating activities	**226,978**	162,944
Cash flows from investing activities:		
Purchases of land, building and equipment	**(174,886)**	(76,325)
(Increase) decrease in replacement reserve	**(120)**	10
Purchases of investments	**(200,000)**	(450,000)
Proceeds from investments	**150,179**	481
Net cash used by investing activities	**(224,827)**	(525,834)
Net increase (decrease) in cash and cash equivalents	**2,151**	(362,890)
Cash and cash equivalents - beginning of year	**375,741**	738,631
Cash and cash equivalents - end of year	**$ 377,892**	$ 375,741

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 (U.S. GAAP).

Display of Net Assets by Class: The net assets of the Organization are reported in each of the following two classes: (a) net assets without donor restrictions, and (b) net assets with donor restrictions. Net assets with donor restrictions 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 net assets without donor restrictions.

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 $962 is necessary as of December 31, 2018 ($4,473 - 2017).

Land, Building and Equipment: The Organization follows the practice of recording land, building and equipment 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, 2018 was $107,665 ($98,136 - 2017).

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, 2018 and 2017, no impairment has been recognized.

In-Kind Contributions: Donated supplies, clothing, equipment and other are recorded at their fair 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 support with donor restrictions that increases that net asset class. When a restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets with donor restrictions. Upon satisfaction of the restriction, amounts are shown as net assets released from restriction in the statement of activities. As of December 31, 2018, there were no net assets with donor restrictions ($22,642 - 2017).

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 financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied, as follows: salaries expense and payroll taxes and employee benefits are allocated based on estimated time incurred; depreciation, rent, and utilities are allocated on a square footage basis dependent on the programs and supporting activities occupying the space; telephone, insurance, and other various expenses are allocated based on approximate actual usage. Every year the basis on which costs are allocated are evaluated.

Advertising: The Organization expenses all advertising costs when incurred. Advertising expense for the Organization totaled $18,926 for the year ended December 31, 2018 ($17,934 - 2017).

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 U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Accordingly, actual results could differ from estimated amounts.

Change in Accounting Principles: The Organization implemented Financial Accounting Standards Board (FASB) ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (see Note 2).

The changes have the following effect on net assets at December 31, 2017:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 2,515,935	$ -
Temporarily restricted net assets	22,642	-
Net assets without donor restrictions	-	2,515,935
Net assets with donor restrictions	-	22,642
Total net assets	$ 2,538,577	$ 2,538,577

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

Recently Issued Accounting Pronouncements: In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance, and requires significantly expanded disclosures about revenue recognition. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09, including subsequent amendments, is effective for the Organization as of January 1, 2019. The Organization is currently evaluating the impact that ASU 2014-09 will have on its financial statements and will adopt the provisions upon the effective date.

In August 2016, the FASB issued ASU 2016-02, Leases. This ASU requires lessees to recognize assets and liabilities on the balance sheet for leases with lease terms greater than twelve months. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance and operating lease. This amends current guidance that requires only capital leases to be recognized on the lessee balance sheet. ASU 2016-02 will also require additional disclosures on the amount, timing and uncertainty of cash flows arising from leases. The guidance is effective for the Organization for reporting periods beginning after December 15, 2019 with early adoption permitted. The Organization is currently evaluating the impact that ASU 2016-02 will have on its financial statements and will adopt the provisions upon the effective date.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. The update also clarifies how to determine if a contribution is conditional. The ASU is effective for fiscal years beginning after December 15, 2018. The Organization is currently evaluating the impact that ASU 2018-08 will have on its financial statements and will adopt the provisions upon the effective date.

Reclassification: Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

Subsequent Events: These financial statements have not been updated for subsequent events occurring after July 1, 2019, which is the date these financial statements were available to be issued.

NOTE 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 are:

Current financial assets:	
Cash and cash equivalents	$ 377,892
Accounts Receivable	483,393
Investments	493,442
Financial assets available to meet general expenditures within one year	$ 1,354,727

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due. The Organization invests cash in excess of daily requirements in an investment account with a broker and its investment portfolio primarily consists of exchange traded funds and mutual funds.

NOTE 3. REPLACEMENT RESERVE

In 2007, as a result of its grant enforcement note with the New York State 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 6). The balance at December 31, 2018 was $14,324 ($14,204 - 2017). These funds are invested in a money market fund with M&T Securities with interest at .02%.

NOTE 4. LAND, BUILDING AND EQUIPMENT

Land, building and equipment at December 31, 2018 and 2017 is as follows:

	2018	2017
Land	**$ 84,599**	$ 84,599
Building and improvements	**2,292,658**	2,174,802
Furniture and equipment	**247,358**	284,278
Vehicles	**83,705**	66,049
	2,708,320	2,609,728
Less accumulated depreciation	**(1,285,150)**	(1,252,928)
	$ 1,423,170	$ 1,356,800

NOTE 5. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2018 and 2017.

NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)

Cash and cash equivalents: Stated at cost, which approximates fair value. Cash and cash equivalents are classified as Level 1 investments.

Exchange traded funds (ETF's): Valued at the closing price reported on the active market on which the individual securities are traded. Exchange traded funds are classified as Level 1 investments.

Mutual funds: Valued at the net asset value (NAV) of shares held at year end. The NAV is the closing price reported on the active market on which the securities are traded. Mutual funds are classified as Level 1 investments.

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

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018:

	Assets at Fair Value			
	(Level 1)	(Level 2)	(Level 3)	Total
Cash and cash equivalents	$ 5,943	$ -	$ -	**$ 5,943**
Mutual funds	284,188	-	-	**284,188**
Exchange traded funds	203,311	-	-	**203,311**
Total	$ 493,442	$ -	$ -	**$ 493,442**

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2017:

	Assets at Fair Value			
	(Level 1)	(Level 2)	(Level 3)	Total
Cash and cash equivalents	$ 6,416	$ -	$ -	**$ 6,416**
Mutual funds	282,520	-	-	**282,520**
Exchange traded funds	171,461	-	-	**171,461**
Total	$ 460,397	$ -	$ -	**$ 460,397**

NOTE 6. 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 7. RENT

Effective for the year ended December 31, 2018, the Organization leases administrative office space under an operating lease agreement expiring June 30, 2020. Rent expense for the year ended December 31, 2018 was $31,688 under the agreement ($29,438 - 2017). Future annual minimum lease payments under this lease are approximately $31,680 in 2019.

Effective for the year ended December 31, 2018, the Organization leases office equipment under various operating lease agreements. Rent expense for the year ended December 31, 2018 was $10,388 under these agreements ($11,994 - 2017). Future annual minimum lease payments under this lease are approximately $6,480 in 2019.

The Organization leases off-site apartments for qualifying residents under its independent living program. Lease terms are generally expected to not exceed a one year term. Rent expense under this program was $58,122 in 2018 ($38,798 - 2017). The approximate total minimum rental commitment as of December 31, 2018 is due in 2019 amounting to $18,280.