AUDITED
FINANCIAL STATEMENTS

HOMESPACE CORPORATION

DECEMBER 31, 2017

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, 2017 and 2016, and the related statements 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, 2017 and 2016, 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 10 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 21, 2018

HOMESPACE CORPORATION

STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS	2017	2016
Current assets:		
Cash and cash equivalents	**$ 375,741**	$ 738,631
Accounts receivable, net of $4,473 allowance for doubtful accounts ($7,000 - 2016)	**349,853**	205,377
Prepaid expense	**36,771**	12,703
Other current assets	**16,891**	1,891
Total current assets	**779,256**	958,602
Replacement reserve	**14,204**	14,214
Investments	**460,397**	-
Land, building and equipment, net	**1,356,800**	1,380,964
Total assets	**$ 2,610,657**	$ 2,353,780
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable - trade	**$ 27,149**	$ 8,024
Accrued expenses	**44,931**	41,707
Total current liabilities	**72,080**	49,731
Net assets:		
Unrestricted	**2,515,935**	2,301,549
Temporarily restricted	**22,642**	2,500
Total net assets	**2,538,577**	2,304,049
Total liabilities and net assets	**$ 2,610,657**	$ 2,353,780

See accompanying notes.

HOMESPACE CORPORATION

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

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Contributions and grants	**$ 32,818**	**$ 69,000**	**$ 101,818**	$ 93,898	$ 2,500	$ 96,398
Resident shelter allowance	**2,118,587**	**-**	**2,118,587**	1,847,323	-	1,847,323
Net assets released from restrictions	**48,858**	**(48,858)**	**-**	5,433	(5,433)	-
Total public support and revenue	**2,200,263**	**20,142**	**2,220,405**	1,946,654	(2,933)	1,943,721
Expenses:						
Program services	**1,759,157**	**-**	**1,759,157**	1,589,613	-	1,589,613
Management and general	**215,892**	**-**	**215,892**	237,286	-	237,286
Fundraising	**37,845**	**-**	**37,845**	23,012	-	23,012
Total expenses	**2,012,894**	**-**	**2,012,894**	1,849,911	-	1,849,911
Income (loss) from operations	**187,369**	**20,142**	**207,511**	96,743	(2,933)	93,810
Other income and (expense):						
Interest income	**481**	**-**	**481**	684	-	684
Unrealized gain on investments	**10,397**	**-**	**10,397**	-	-	-
Loss on disposal of assets	**(851)**	**-**	**(851)**	(660)	-	(660)
Other income	**16,990**	**-**	**16,990**	20,691	-	20,691
Total other income	**27,017**	**-**	**27,017**	20,715	-	20,715
Change in net assets	**214,386**	**20,142**	**234,528**	117,458	(2,933)	114,525
Net assets - beginning of year	**2,301,549**	**2,500**	**2,304,049**	2,184,091	5,433	2,189,524
Net assets - end of year	**$ 2,515,935**	**$ 22,642**	**$ 2,538,577**	$ 2,301,549	$ 2,500	$ 2,304,049

See accompanying notes.

HOMESPACE CORPORATION

STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	2017	2016
Cash flows from operating activities:		
Change in net assets	**$ 234,528**	$ 114,525
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**98,136**	91,795
(Decrease) increase in allowance for doubtful accounts	**(2,527)**	7,000
Loss on disposal of assets	**851**	660
Property and equipment donated to residents	**1,502**	4,063
Unrealized gain on investments	**(10,397)**	-
(Increase) decrease in assets:		
Accounts receivable	**(141,949)**	6,141
Prepaid expenses	**(24,068)**	4,729
Other current assets	**(15,000)**	(1,891)
Increase (decrease) in liabilities:		
Accounts payable - trade	**19,125**	(24,420)
Accrued expenses	**3,224**	8,615
Net cash provided by operating activities	**163,425**	211,217
Cash flows from investing activities:		
Purchases of property and equipment	**(76,325)**	(113,564)
Decrease in replacement reserve	**10**	32
Purchases of investments	**(450,000)**	-
Net cash used by investing activities	**(526,315)**	(113,532)
Net (decrease) increase in cash and cash equivalents	**(362,890)**	97,685
Cash and cash equivalents - beginning of year	**738,631**	640,946
Cash and cash equivalents - end of year	**$ 375,741**	$ 738,631

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 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 $4,473 is necessary as of December 31, 2017 ($7,000 - 2016).

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, 2017 was $98,136 ($91,795 - 2016).

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, 2017 and 2016, 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, 2017, there was $22,642 of temporarily restricted net assets restricted for the costs associated with trauma informed care trainings, technology updates, new windows, and Second Chance Home. ($2,500 - 2016).

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 $17,934 for the year ended December 31, 2017 ($12,508 - 2016).

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.

Subsequent Events: These financial statements have not been updated for subsequent events occurring after June 21, 2018, which is the date these financial statements were available to be issued.

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.

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 5). The balance at December 31, 2017 was $14,204 ($14,214 - 2016). 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, 2017 and 2016 is as follows:

	2017	2016
Land	**$ 84,599**	$ 84,599
Building and improvements	**2,174,802**	2,129,870
Furniture and equipment	**284,278**	299,910
Vehicles	**66,049**	72,519
	2,609,728	2,586,898
Less accumulated depreciation	**(1,252,928)**	(1,205,934)
	$ 1,356,800	$ 1,380,964

NOTE 4. 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 plan 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, 2017. There were no investments measured at fair value at December 31, 2016.

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

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.

NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)

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 investments 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**

There were no realized gains or losses during the year ended December 31, 2017 or 2016. The unrealized gains on investments reported at fair value were $10,397 for the year ended December 31, 2017. There were no unrealized gains or losses on investments for the year ended December 31, 2016.

NOTE 5. 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 6. RENT

Effective for the year ended December 31, 2017, the Organization leases administrative office space under an operating lease agreement expiring June 30, 2018. Rent expense for the year ended December 31, 2017 was $41,432 under the agreement ($15,582 - 2016). Approximate future annual minimum lease payments under this lease are approximately $16,000 in 2018.

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 $38,798 in 2017 ($24,135 - 2016). The approximate total minimum rental commitment as of December 31, 2017 is due in 2018 amounting to $42,060.

HOMESPACE CORPORATION

SCHEDULE OF FUNCTIONAL EXPENSES
For the Years Ended December 31,

2017

	Program Services	Management and General	Fundraising	Total
Salaries expense	**$ 938,269**	**$ 116,407**	**$ 6,492**	**$ 1,061,168**
Program supplies	**276,491**	**-**	**-**	**276,491**
Payroll taxes and employee benefits	**194,445**	**24,124**	**1,345**	**219,914**
Depreciation	**93,229**	**4,907**	**-**	**98,136**
Rent	**59,514**	**20,716**	**-**	**80,230**
Repair and maintenance	**55,637**	**18,546**	**-**	**74,183**
Utilities	**60,493**	**-**	**-**	**60,493**
Insurance	**33,997**	**4,000**	**2,000**	**39,997**
Office	**9,562**	**9,609**	**24**	**19,195**
Printing and publicity	**3,587**	**3,587**	**10,760**	**17,934**
Conference and training	**13,293**	**3,587**	**506**	**17,386**
Special events	**-**	**-**	**16,621**	**16,621**
Telephone	**12,143**	**1,507**	**84**	**13,734**
Professional fees	**3,645**	**8,505**	**-**	**12,150**
Postage	**1,858**	**230**	**13**	**2,101**
Dues, licenses and subscriptions	**1,492**	**167**	**-**	**1,659**
Donations	**1,502**	**-**	**-**	**1,502**
Total expenses	**$ 1,759,157**	**$ 215,892**	**$ 37,845**	**$ 2,012,894**

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