

# **ENCORE COMMUNITY SERVICES AND AFFILIATES**

Consolidated Audited Financial Statements

June 30, 2022



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Encore Community Services and Affiliates

### ***Opinion***

We have audited the accompanying consolidated financial statements of Encore Community Services and Affiliates (the "Agency"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Agency as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these consolidated financial statements.

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 consolidated 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 consolidated 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 the internal control of the Agency. 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the ability of the Agency 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 Summarized Comparative Information***

The consolidated financial statements of the Agency as of and for the year ended June 30, 2021, were audited by other auditors whose report dated December 14, 2021 expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects with the audited consolidated financial statements from which it was derived.

A handwritten signature in blue ink that reads "Saxe CPAs LLP". The signature is written in a cursive, flowing style.

New York, NY  
March 29, 2023

**ENCORE COMMUNITY SERVICES AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2022**

(With comparative totals as of June 30, 2021)

	<u>06/30/22</u>	<u>06/30/21</u>
<b>Assets</b>		
Cash and cash equivalents	\$2,010,457	\$536,320
Investments (Note 3)	858,036	940,233
Government grants receivable	1,426,167	501,958
Contributions receivable	93,840	177,014
Tenant rent receivables	414,552	243,511
Prepaid expenses and other accounts receivable	39,589	21,920
Cash - residents' funds	58,588	58,884
Cash - reserve funds (Note 4)	276,258	104,848
Tenants' security deposits	141,446	140,947
Fixed assets, net (Note 5)	10,023,623	10,447,491
Restricted investments (Notes 3 and 6)	223,207	244,590
	<u>\$15,565,763</u>	<u>\$13,417,716</u>
Total assets		
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$1,202,218	\$659,107
Government grants advances	719,628	41,644
Tenants' security deposits payable	135,469	134,088
Residents' funds held in trust	17,642	33,380
	<u>2,074,957</u>	<u>868,219</u>
Total liabilities		
Net assets:		
Without donor restrictions (Note 7)	13,061,759	11,892,936
With donor restrictions (Note 8)	429,047	656,561
	<u>13,490,806</u>	<u>12,549,497</u>
Total net assets		
Total liabilities and net assets	<u>\$15,565,763</u>	<u>\$13,417,716</u>

*The attached notes and auditor's report are an integral part of these consolidated financial statements.*

**ENCORE COMMUNITY SERVICES AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
(With comparative totals for the year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 06/30/22	Total 6/30/21*
<b>Revenue and support:</b>				
Government grants	\$18,226,310		\$18,226,310	\$5,312,067
Rental income	1,973,249		1,973,249	1,471,196
Contributions	345,417	\$105,840	451,257	909,692
Fundraising events	291,701		291,701	213,403
Paycheck Protection Program loan forgiveness (Note 9)			0	670,900
In-Kind contributions	120,313		120,313	0
Interest and dividends, net	12,867	3,181	16,048	2,892
Unrealized (loss)/gain on investments	(94,426)	(24,564)	(118,990)	4,712
Other income	177,588		177,588	17,266
Net assets released from restriction (Note 8)	311,971	(311,971)	0	0
Total revenue and support	<u>21,364,990</u>	<u>(227,514)</u>	<u>21,137,476</u>	<u>8,602,128</u>
<b>Expenses:</b>				
<b>Program services:</b>				
Home-Delivered Meals	13,831,522		13,831,522	3,733,725
Senior Wellness	1,368,915		1,368,915	964,697
Encore 49 Residence	1,049,043		1,049,043	994,530
Encore West Residence	1,332,917		1,332,917	1,202,642
Mental Health Program	491,239		491,239	513,829
Homeless Program	206,933		206,933	135,451
Total program services	<u>18,280,569</u>	<u>0</u>	<u>18,280,569</u>	<u>7,544,874</u>
<b>Supporting services:</b>				
Management and general	1,404,152		1,404,152	1,035,143
Fundraising	511,446		511,446	217,841
Total supporting services	<u>1,915,598</u>	<u>0</u>	<u>1,915,598</u>	<u>1,252,984</u>
Total expenses	<u>20,196,167</u>	<u>0</u>	<u>20,196,167</u>	<u>8,797,858</u>
Change in net assets	1,168,823	(227,514)	941,309	(195,730)
Net assets - beginning of year	<u>11,892,936</u>	<u>656,561</u>	<u>12,549,497</u>	<u>12,745,227</u>
Net assets - end of year	<u>\$13,061,759</u>	<u>\$429,047</u>	<u>\$13,490,806</u>	<u>\$12,549,497</u>

\* Reclassified for comparative purposes

*The attached notes and auditor's report are an integral part of these consolidated financial statements.*

**ENCORE COMMUNITY SERVICES AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
(With comparative totals for the year ended June 30, 2021)

	Program Services						Supporting Services			Total Expenses 06/30/22	Total Expenses 06/30/21	
	Home-Delivered Meals	Senior Wellness	Encore 49 Residence	Encore West Residence	Mental Health Program	Homeless Program	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$1,421,339	\$753,704	\$381,281	\$118,921	\$196,487	\$147,081	\$3,018,813	\$712,066	\$268,130	\$980,196	\$3,999,009	\$3,412,273
Payroll taxes and fringe benefits	277,778	181,737	128,006	19,831	64,194	40,757	712,303	154,143	59,726	213,869	926,172	778,801
Total personnel services	1,699,117	935,441	509,287	138,752	260,681	187,838	3,731,116	866,209	327,856	1,194,065	4,925,181	4,191,074
Utilities	84,859	35,507	90,696	156,768	77,503		445,333	2,104	1,132	3,236	448,569	319,569
Contract services	20,421	15,361	25,766	233,250	6,632	963	302,393	3,311	1,519	4,830	307,223	293,206
Food and food delivery expenses	11,434,617	114,916	100				11,549,633			0	11,549,633	1,716,327
Management fees and related expenses				93,066			93,066			0	93,066	51,678
Insurance	67,075	11,542	21,049	21,346	3,491	2,304	126,807	18,172	2,221	20,393	147,200	147,942
Supplies	35,930	107,004	27,650	13,571	15,092	129	199,376	29,252	30,730	59,982	259,358	235,310
Equipment	7,159	3,172	3,546		3,039		16,916	5,528	2,976	8,504	25,420	45,389
Professional fees			19,378	26,578			45,956	299,424		299,424	345,380	211,851
Repairs and maintenance	76,950	19,713	126,119	118,373	6,242		347,397	1,397	4	1,401	348,798	300,197
Real estate taxes			199	101,218			101,417			0	101,417	134,361
Consultants	304,218	51,405	15,721		62,188	14,992	448,524	65,320	70,512	135,832	584,356	171,192
Occupancy	45,136	38,114		9,375			92,625	17,680	9,520	27,200	119,825	80,775
Communications	33,374	17,771	34,200	31,245	30,289		146,879	24,185	7,699	31,884	178,763	129,829
Events and conferences	1,259	151	1,653		3		3,066	8,345	42,221	50,566	53,632	17,635
Fees, dues and subscriptions	3,861	4,058	3,136	2,103	22,208	39	35,405	26,336	13,681	40,017	75,422	71,919
Travel	299	2,206	1,279		1,635	81	5,500	7,088	1,375	8,463	13,963	23,237
Other	1,366	9,837	3,750	26,552	1,736	587	43,828	4,716		4,716	48,544	50,673
Depreciation	12,021	89	164,827	360,720			537,657	17,201		17,201	554,858	546,151
COVID-19 emergency response	3,860	2,628	687		500		7,675	7,884		7,884	15,559	59,543
Total expenses	\$13,831,522	\$1,368,915	\$1,049,043	\$1,332,917	\$491,239	\$206,933	\$18,280,569	\$1,404,152	\$511,446	\$1,915,598	\$20,196,167	\$8,797,858

*The attached notes and auditor's report are an integral part of these consolidated financial statements.*

**ENCORE COMMUNITY SERVICES AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
(With comparative totals for the year ended June 30, 2021)

	<u>06/30/22</u>	<u>06/30/21</u>
Cash flows from operating activities:		
Change in net assets	\$941,309	(\$195,730)
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation	554,858	546,151
Unrealized loss/(gain) on investments	118,990	(4,712)
Changes in assets and liabilities:		
Government grants receivable	(924,209)	465,452
Contributions receivable	83,174	(31,889)
Tenant rent receivables	(171,041)	(133,613)
Prepaid expenses and other accounts receivable	(17,669)	2,706
Tenants' security deposits	(499)	717
Accounts payable and accrued expenses	543,111	74,199
Government grants advances	677,984	(832,750)
Tenants' security deposits payable	1,381	(904)
Residents' funds held in trust	(15,738)	25,299
Total adjustments	<u>850,342</u>	<u>110,656</u>
Net cash flows provided by/(used for) operating activities	<u>1,791,651</u>	<u>(85,074)</u>
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(130,990)	(231,825)
Purchases of investments	(15,410)	(1,766)
Net cash flows used for investing activities	<u>(146,400)</u>	<u>(233,591)</u>
Net increase/(decrease) in cash, cash equivalents and restricted cash	1,645,251	(318,665)
Cash, cash equivalents and restricted cash - beginning of year	700,052	1,018,717
Cash, cash equivalents and restricted cash - end of year	<u>\$2,345,303</u>	<u>\$700,052</u>
Reconciliation to statement of financial position:		
Cash and cash equivalents	\$2,010,457	\$536,320
Cash - residents' funds	58,588	58,884
Cash - reserve funds	276,258	104,848
Total cash, cash equivalents and restricted cash	<u>\$2,345,303</u>	<u>\$700,052</u>
Supplemental disclosures:		
Interest and taxes paid	<u>\$0</u>	<u>\$0</u>

*The attached notes and auditor's report are an integral part of these consolidated financial statements.*

**ENCORE COMMUNITY SERVICES AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**Note 1 - Organization**

Encore Community Services is a not-for-profit entity that aims to improve the quality of life of older New Yorkers. Encore's programs are designed to provide for the basic human needs for food and shelter; and, to meet the physical, psychological, emotional, and social needs of seniors. Encore 49 Housing Development Fund Company, Inc., (Encore 49 Residence), a subsidiary, operates a permanent residence for formerly homeless seniors. Encore West Residence Housing Development Fund Corporation (Encore West Residence), also a subsidiary, is a permanent residence for low-income elderly individuals. These organizations are related through common control.

The consolidated financial statements include Encore Community Services, Encore 49, and Encore West Residence (collectively, the "Agency") which provide the following programs and services:

- *Senior Wellness* programs provide a variety of supplemental and support services to older New Yorkers that are vital to maintaining an elderly person's independence in the community. These programs include Arts, educational and recreational activities, Shop and Escort; Friendly Visiting Program; Telephone Assurance and case management assistance. Also provided to both on site and homebound seniors are counseling in the areas of nutrition, budgeting, health and related preventive activities and end-of-life issues that may include planning for incapacity, coping with losses, addressing decision-making as related to health care proxies, and living wills.
- *Home Delivered Meals* programs provides homebound seniors in Community Districts 4,5 and 7 with a daily meal, seven days a week.
- *Encore 49 Residence* is a single room occupancy residence that provides supportive housing to formerly homeless seniors.
- *Mental Health Program* provides on-site counseling and an integrated system of supportive care for Encore 49 residents that are diagnosed with a mental illness in order to live successfully in the community. This program is supported primarily by a grant from the New York City Department of Health and Mental Hygiene.
- *Homeless Program* provides onsite case management assistance for Encore 49 residents referred from New York City shelters in order to acclimate them to community living and to prevent future homelessness. This program is supported primarily by a grant from the New York City Department of Homeless Services.
- *Encore West Residence* provides housing for low-income seniors under U.S. Department of Housing and Urban Development ("HUD") Section 202. Senior residents receive telephone assurance and case management assistance.

The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as a publicly supported organization described in Section 509(a).



## Note 2 - Significant Accounting Policies

a. Consolidating Policy

The accompanying consolidated financial statements include all activities of Encore Community Services, Encore 49, and Encore West Residence, which are under common control. All inter-organizational accounts and transactions have been eliminated.

b. Basis of Accounting

The consolidated financial statements have been prepared using the accrual basis of accounting, which is the process of recording revenue and expenses when earned or incurred rather than when received or paid.

c. Basis of Presentation

The Agency reports information regarding its financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represents all activity without donor-imposed restrictions.
- *Net Assets With Donor Restrictions* – relates to contributions of cash and other assets with donor stipulations that make clear the assets' restrictions, either due to a program nature or by the passage of time.

d. Revenue Recognition

The Agency follows the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recorded at the time a contribution becomes unconditional in nature. Contributions are recorded in one of the classes of net assets described above, depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they are received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments, or release from obligations, and are recognized as income once the conditions have been substantially met.

Government grants have been evaluated and are considered to be conditional non-reciprocal transactions that fall under the scope of FASB ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Cash received in advance of the conditions being met is treated as a liability. Conditional grants that have been awarded but that have not been recognized amounted to \$8,807,988 at June 30, 2022. Since these grants are conditioned upon incurring qualifying expenditures, they are not recorded as government grant revenue until the grantor's conditions are met.

Contributions and grants expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques.

The Agency follows the requirements of FASB ASC 840 for recording rental income for apartments which, is recorded over the period of a lease agreement. Advance receipts of rental income are deferred and classified as liabilities until earned. All leases between the Agency and the tenants of the property are considered operating leases with terms no longer than one year.

Receivables are reviewed for collectability. Based on knowledge of specific donors and factoring in historical experience, no allowance for doubtful accounts exists as of June 30, 2022. Write-offs will be made in the period the receivable is deemed to be uncollectable. At June 30, 2022, all receivables are due within one year.

e. Cash and Cash Equivalents

For consolidated financial statement purposes, the Agency considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents. Restricted cash is included as cash and cash equivalents on the consolidated statement of cash flows.

f. Significant Concentrations

Financial instruments, which potentially subject the Agency to a concentration of credit risk consist of cash and money market accounts, which are placed at financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. At year end and at various times throughout the year, balances were in excess of insured amounts. However, the Agency has not experienced any losses due to bank failure.

The Agency provides program services that are covered under various third-party payor agreements. Payments for such services are received through various governmental agencies. Funding from the New York City Department for the Aging totaled 76% and 41% of total revenue and support for the years ended June 30, 2022 and 2021, respectively. The Agency is economically dependent on these funds to continue operations.

g. Investments

Investments are carried at fair value. 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.

h. Fixed Assets

Capital items purchased, such as buildings, improvements, equipment, and furniture, which have a useful life of more than one year and exceed \$1,500 are capitalized at cost or at fair value at the date of gift, if donated. When the grantor retains title or when it is probable that the title will revert to the grantor upon certain contingent events, the assets are expensed in the year the funds are received and spent. Fixed assets are depreciated on a straight-line basis over the estimated useful life of the respective assets as follows:

Buildings – *40 years*

Building improvements – *3 to 40 years*

Equipment and furniture – *3 to 10 years*

Leasehold improvements – *Life of lease*

i. Investment in Real Estate

The Agency reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. For assets held and used, if management's estimate of the aggregate future cash flows to be generated by the property, undiscounted and without interest charges, and any estimated proceeds from the eventual disposition of the real estate are less than their carrying amounts, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. The determination of undiscounted cash flows requires significant estimates by management. Subsequent changes in estimated undiscounted cash flows could impact the determination of whether impairment exists. No impairment loss has been recognized during the year ended June 30, 2022.

j. In-Kind Contributions

Contributions of non-cash assets are recognized as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided in-kind.

Board members and other individuals volunteer their time and perform a variety of services that assist the Agency. These services do not meet the criteria outlined above and have not been recorded in the consolidated financial statements.

The Agency received donated legal professional services valued at \$120,313, which are reported as management and general on the consolidated statement of functional expenses during the year ended June 30, 2022. Contributed services are valued at the estimated fair value based on current rates for similar services.

The Agency received approximately 18,000 and 17,700 volunteer hours during the years ended June 30, 2022 and 2021, respectively. The consolidated financial statements do not reflect the value of these contributed services because they do not meet the criteria outlined above.

k. Management Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

l. Prior Year Summarized Comparative Information

The consolidated financial statements include certain prior summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's consolidated financial statements for the year ended June 30, 2021, from which the summarized information was derived.

m. Accounting for Uncertainty of Income Taxes

The Agency recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Agency had no material, uncertain tax positions that would require consolidated financial statement recognition or disclosure. Tax filings for the periods ending June 30, 2019 and later are subject to examination by applicable taxing authorities.

n. Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a time and effort basis.

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Meals delivered/served; Full-Time Equivalents ("FTE") of employees supervised
Payroll taxes and fringe benefits	Salary allocation
Utilities	Clients served at location
Food and food delivery expenses	Meals delivered/served
Insurance	FTE of all employees
Repairs and maintenance	Clients served at location
Occupancy	Clients served at location
Communications	Clients served at location

All other expenses have been charged directly to the applicable program or supporting services.

o. Advertising Costs

Advertising costs are expensed as incurred.

p. New Accounting Pronouncement

FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*. The ASU, which becomes effective for the June 30, 2023 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the consolidated statement of financial position.

Management is in the process of evaluating the impact this standard will have on future consolidated financial statements.

**Note 3 - Investments and Fair Value Measurements**

The Agency follows U.S. GAAP guidance on fair value measurements, which defines fair value and establishes a fair value hierarchy organized giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data.

The fair value hierarchy is categorized into the three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Agency has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

All of the investment assets are classified within Level 1 because they comprise exchange traded products with readily determinable fair values based on daily redemption values.

Investments consist of the following:

	<u>6/30/22</u>	<u>6/30/21</u>
Exchange Traded Products:		
US Fund Large Blend	\$384,198	\$447,685
US Fund Short-term Bond	641,515	676,756
US Fund Real Estate	<u>55,530</u>	<u>60,382</u>
Total	<u>\$1,081,243</u>	<u>\$1,184,823</u>
	<u>6/30/22</u>	<u>6/30/21</u>
Investments	\$858,036	\$940,233
Restricted investments	<u>223,207</u>	<u>244,590</u>
Total	<u>\$1,081,243</u>	<u>\$1,184,823</u>

**Note 4 - Reserve Funds**

Under its regulatory agreement with HUD, Encore West Residence is required to maintain a reserve fund to provide cash for the replacement of property and equipment items. Monthly deposits to the Replacement Reserve Fund of \$4,671 are required. All requests by Encore West Residence for withdrawals from this account must be in writing and supported by approved invoices. At June 30, 2022, the Replacement Reserve Fund totaled \$247,653, which is held in a Federal Deposit Insurance Company (“FDIC”) insured savings account.

In addition, the Agency is required to deposit into the Residual Receipts Reserve account, any residual receipts, as defined by HUD, realized from the operation of the mortgaged property within 90 days after the end of each fiscal year. There were no required residual receipt reserve deposits for the year ended June 30, 2022. The Residual Receipt Fund totaled \$28,605 at June 30, 2022.

**Note 5 - Fixed Assets**

Fixed assets consist of the following:

	<u>6/30/22</u>	<u>6/30/21</u>
Encore 49 building	\$3,185,000	\$3,185,000
Encore 49 building improvements	1,984,360	1,864,265
Encore West building	14,305,632	14,305,632
Encore West equipment and furniture	116,671	116,671
Leasehold improvements	1,222,499	1,222,499
Equipment and furniture	<u>1,242,601</u>	<u>1,231,706</u>
	22,056,763	21,925,773
Less: accumulated depreciation	<u>(12,033,140)</u>	<u>(11,478,282)</u>
Total fixed assets, net	<u>\$10,023,623</u>	<u>\$10,447,491</u>

**Note 6 - Endowment Funds**

*Application of Law*

The New York Prudent Management of Institutional Funds Act (“NYPMIFA”) requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and except in those cases where the law allows appropriation for the spending of the original gift amounts. As a result, the board classifies as net assets with donor restrictions that are perpetual in nature (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions that are temporary in nature until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by NYPMIFA.

*Investment Policy*

The Agency utilizes a total return investment approach with its asset allocation. The long-term objective of the invested funds is to produce stable and increasing principal appreciation in excess of the rate of inflation to enhance purchasing power with a low to moderate level of risk. To achieve this objective, invested funds are maintained in money market funds.

*Spending Policy*

The total return objective includes the funding of both the current year spending rate amount and the amount required to be retained pursuant to the board’s interpretation of State law.

The following is a reconciliation of the donor restricted endowment fund:

	<u>June 30, 2022</u>		
	<u>Endowment Earnings/ Borrowings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	(\$5,410)	\$250,000	\$244,590
Investment return	<u>(21,383)</u>	<u>0</u>	<u>(21,383)</u>
Endowment net assets, end of year	<u>(\$26,793)</u>	<u>\$250,000</u>	<u>\$223,207</u>

	<u>June 30, 2021</u>		
	<u>Endowment Earnings/ Borrowings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	(\$6,472)	\$250,000	\$243,528
Investment return	<u>1,062</u>	<u>0</u>	<u>1,062</u>
Endowment net assets, end of year	<u>(\$5,410)</u>	<u>\$250,000</u>	<u>\$244,590</u>

*Underwater Endowment Fund*

The Agency's donor restricted endowment fund has experienced losses due to market fluctuations. At June 30, 2022 and June 30, 2021, these aggregated losses amounted to \$26,793 and \$5,410, respectively.

**Note 7 - Capital Advances**

Financing for the Encore West Residence construction in the amount of \$13,262,100 at June 30, 2022, was provided through the HUD Capital Advance program. Under this program the Encore West Residence is subject to a mortgage note, which is re-payable only if the Encore West Residence does not remain available for very low-income eligible individuals/families as approved by HUD for a period of no less than 40 years expiring in 2047. It is the intention of the Encore West Residence to keep this property occupied by very low-income eligible individuals. Management accounted for this as a grant because its intent is to comply with HUD regulations and the advance will not have to be repaid.

Net assets without donor restrictions consist of the following:

	<u>6/30/22</u>	<u>6/30/21</u>
Operations (deficit)	(\$200,341)	(\$1,369,164)
HUD Capital Advance	<u>13,262,100</u>	<u>13,262,100</u>
Total	<u>\$13,061,759</u>	<u>\$11,892,936</u>

**Note 8 - Net Assets With Donor Restrictions**

The following summarizes net assets released from restrictions:

	<u>6/30/22</u>	<u>6/30/21</u>
Social services expansion	\$296,971	\$344,300
COVID-19 response	0	50,280
Special campaigns	<u>15,000</u>	<u>0</u>
Total net assets released from restrictions	<u>\$311,971</u>	<u>\$394,580</u>

The following summarizes the nature of net assets with donor restrictions:

	<u>6/30/22</u>	<u>6/30/21</u>
Endowment funds	\$223,207	\$244,590
Social services expansion	62,000	296,971
Food pantry	43,840	0
Special campaigns	<u>100,000</u>	<u>115,000</u>
Total net assets with donor restrictions	<u>\$429,047</u>	<u>\$656,561</u>

**Note 9 - Paycheck Protection Program Loan Forgiveness**

During the year ended June 30, 2020, the Agency obtained a loan from the Small Business Administration (“SBA”) in the amount of \$670,900 through the Paycheck Protection Program (“PPP”). Terms of the loan indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that were greater than pre-determined historical periods, that the loan, or a portion thereof, would be forgiven. Portions that were not forgiven would be payable over a five-year period, with a ten-month deferral of payments and interest would accrue at 1%.

During the year ended June 30, 2021, the Agency submitted its forgiveness application and was granted full forgiveness.

**Note 10 - Pension**

The Agency has a defined contribution plan to which it contributes an amount equivalent to 5% of eligible employees' annual salaries, subject to Internal Revenue Service (“IRS”) limitations. Pension expense was \$103,875 and \$88,028 for the years ended June 30, 2022 and 2021, respectively.

**Note 11 - Commitments and Contingencies**

Encore West Residence’s largest asset is its housing development project. The development is subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directions, rules and regulations are subject to change by an act of Congress, or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including additional administrative burden, to comply with a change.



Government contracts are subject to audit by the grantor. Management does not anticipate any material disallowances to result from those audits and has not established any reserves. Any disallowances will be expensed when a liability becomes probable of requiring a payout.

The Agency is obligated under an operating lease for space and related utilities, which expires on December 31, 2030. Future minimum lease payments under the terms of the agreement are as follows:

Year ending:	June 30, 2023	\$99,000
	June 30, 2024	99,000
	June 30, 2025	100,500
	June 30, 2026	102,000
	June 30, 2027	102,000
	Thereafter	<u>357,000</u>
Total		<u>\$859,500</u>

In February 2012, the Agency entered into an operating lease for additional space and related utilities expiring March 2027. Future minimum lease payments under the terms of the agreement are as follows:

Year ending:	June 30, 2023	\$28,800
	June 30, 2024	28,800
	June 30, 2025	28,800
	June 30, 2026	28,800
	June 30, 2027	<u>21,600</u>
Total		<u>\$136,800</u>

**Note 12 - Liquidity and Availability**

Financial assets available for general expenditure within one year of June 30, 2022 are as follows:

Cash and cash equivalents	\$2,010,457	
Investments	858,036	
Government grants receivable	1,426,167	
Contributions receivable	93,840	
Tenant rent receivables	<u>414,552</u>	
Total financial assets		\$4,803,052
Less amounts not available to be used within one year:		
Net assets with donor restrictions		<u>(205,840)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$4,597,212</u>

The Agency's goal is to generally maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, the Agency invests excess cash in short-term investments, including certificates of deposit. It also actively monitors accounts receivable, rental income and other revenue sources to maintain this level of liquidity. In addition, as part of its liquidity management, the Agency monitors the status of its cash needs on a quarterly basis and liquidates any assets as necessary in order to provide funds for the operations of its programs.

**Note 13 - Subsequent Events**

Subsequent events have been evaluated through March 29, 2023 the date the consolidated financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the consolidated financial statements.