JESPY HOUSE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

SobelCo
Certified Public Accountants & Advisors

JESPY HOUSE, INC.

JUNE 30, 2022 AND 2021

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Jespy House, Inc.
South Orange, New Jersey

Opinion

We have audited the accompanying financial statements of Jespy House, Inc. ("Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Sobel & Co., LLC

Certified Public Accountants

Livingston, New Jersey
September 26, 2022

JESPY HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30, 2022	June 30, 2021
ASSETS		
Cash and cash equivalents	$ 1,754,628	$ 1,755,063
Investments (Note 3)	1,366,884	1,213,359
Tuition receivable, net	363,833	167,985
Prepaid expenses and other assets	79,071	67,131
Total Current Assets	3,564,416	3,203,538
Land, building and equipment, net (Note 4)	6,444,684	5,597,594
	$ 10,009,100	$ 8,801,132
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Mortgage and notes payable, current portion (Note 6)	$ 48,057	$ 36,757
Accounts payable and accrued expenses	437,165	297,809
Deferred income	40,288	38,857
Total Current Liabilities	525,510	373,423
NONCURRENT LIABILITIES:		
Mortgage and notes payable, less current portion, net of unamortized debt issuance costs (Note 6)	1,865,600	1,301,619
Total Liabilities	2,391,110	1,675,042
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Net assets without donor restrictions	7,478,652	6,951,050
Net assets with donor restrictions (Notes 9-11)	139,338	175,040
Total Net Assets	7,617,990	7,126,090
	$ 10,009,100	$ 8,801,132

JESPY HOUSE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021

	Year ended June 30, 2022			Year ended June 30, 2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT:						
New Jersey DDD grants	$ 197,176	$ -	$ 197,176	$ 423,587	$ -	$ 423,587
Contributions and grants	629,417	53,000	682,417	619,445	231,849	851,294
Government contributions	3,606	-	3,606	940,080	-	940,080
Fundraising	740,128	-	740,128	256,092	-	256,092
Total Support	1,570,327	53,000	1,623,327	2,239,204	231,849	2,471,053
REVENUE:						
Tuition and program fees	6,123,452	-	6,123,452	4,794,652	-	4,794,652
Miscellaneous income	67,772	-	67,772	7,087	-	7,087
Interest and dividends	22,383	-	22,383	10,779	-	10,779
Realized gain on investments	74,669	-	74,669	74,647	-	74,647
Unrealized (loss) gain on investments	(201,774)	-	(201,774)	154,767	-	154,767
Total Revenue	6,086,502	-	6,086,502	5,041,932	-	5,041,932
Net assets released from restrictions	88,702	(88,702)	-	225,696	(225,696)	-
Total Support and Revenue	7,745,531	(35,702)	7,709,829	7,506,832	6,153	7,512,985
EXPENSES:						
Program	5,334,715	-	5,334,715	4,594,923	-	4,594,923
Management and general	1,239,817	-	1,239,817	976,530	-	976,530
Fundraising	643,398	-	643,398	302,120	-	302,120
Total Expenses	7,217,929	-	7,217,929	5,873,573	-	5,873,573
CHANGE IN NET ASSETS	527,602	(35,702)	491,900	1,633,259	6,153	1,639,412
NET ASSETS - Beginning of year	6,951,050	175,040	7,126,090	5,317,791	168,887	5,486,678
NET ASSETS - End of year	$ 7,478,652	$ 139,338	$ 7,617,990	$ 6,951,050	$ 175,040	$ 7,126,090

JESPY HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program	General and Administrative	Fundraising	Total
Salaries and wages	$ 3,328,390	$ 799,357	$ 498,368	$ 4,626,115
Fringe benefits	308,473	71,062	19,734	399,269
Payroll taxes	246,068	65,904	16,119	328,091
Payroll service	12,737	5,458	-	18,195
Professional fees	147,191	101,705	55,933	304,829
Scholarships	47,676	-	-	47,676
Travel	12,759	-	-	12,759
Conferences and meetings	18,734	-	-	18,734
Client transportation	35,789	-	-	35,789
Rent and occupancy costs	73,315	8,146	-	81,461
Repairs and maintenance	223,680	53,683	20,877	298,240
Utilities	79,008	22,825	2,230	104,063
Furniture and appliances	32,557	-	-	32,557
Communications	70,332	8,084	2,425	80,841
Equipment rental	13,516	2,703	1,802	18,021
Depreciation	236,398	18,027	2,365	256,790
Food purchases	105,695	-	-	105,695
Program expenses	57,480	-	-	57,480
Fundraising	-	-	1,438	1,438
Printing and advertising	18,342	7,761	5,174	31,277
Bank charges	-	8,053	4,149	12,202
Computer expense	86,123	18,771	5,521	110,415
Dues and subscription	18,492	5,748	750	24,990
Insurance	75,780	11,364	234	87,378
Interest	61,115	-	-	61,115
Postage	1,789	3,130	4,026	8,945
Office supplies	9,011	3,756	2,253	15,019
Miscellaneous expenses	14,265	24,280	-	38,545
	$ 5,334,715	$ 1,239,817	$ 643,398	$ 7,217,929

JESPY HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program	General and Administrative	Fundraising	Total
Salaries and wages	$ 2,988,603	$ 698,641	$ 194,097	$ 3,881,341
Fringe benefits	297,341	68,497	19,022	384,860
Payroll taxes	206,825	55,891	15,528	278,244
Payroll service	12,290	5,267	-	17,557
Professional fees	108,588	42,611	16,783	167,982
Scholarships	51,429	-	-	51,429
Travel	6,499	-	-	6,499
Conferences and meetings	9,147	-	-	9,147
Client transportation	8,678	-	-	8,678
Rent and occupancy costs	19,010	2,113	-	21,123
Repairs and maintenance	158,555	36,301	14,798	209,654
Utilities	72,643	2,676	1,147	76,466
Furniture and appliances	6,038	5,141	-	11,179
Communications	62,932	6,779	1,682	71,393
Equipment rental	12,121	2,361	1,259	15,741
Depreciation	201,183	7,977	2,519	211,679
Food purchases	48,537	-	-	48,537
Program expenses	19,246	-	-	19,246
Fundraising	-	-	18,913	18,913
Printing and advertising	14,531	5,203	5,044	24,778
Bank charges	2,023	1,158	288	3,469
Computer expense	80,211	17,469	4,726	102,406
Dues and subscription	33,912	1,419	85	35,416
Insurance	63,976	9,594	197	73,767
Interest	61,683	-	-	61,683
Postage	1,966	3,182	3,718	8,866
Office supplies	6,105	2,299	2,042	10,446
Miscellaneous expenses	40,851	1,951	272	43,074
	$ 4,594,923	$ 976,530	$ 302,120	$ 5,873,573

JESPY HOUSE, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2022	Year Ended June 30, 2021
CASH FLOWS USED FOR:		
OPERATING ACTIVITIES:		
Changes in net assets	$ 491,900	$ 1,639,412
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	256,790	211,679
Bad debts	5,500	7,235
Net realized and unrealized losses (gains) on investments	127,105	(229,414)
Changes in certain assets and liabilities:		
Tuition receivable	(201,348)	(38,663)
Prepaid expenses	(11,940)	(15,349)
Refundable advance	-	(836,200)
Accounts payable and accrued expenses	139,356	58,383
Deferred income	1,431	(9,197)
Net Cash Provided by Operating Activities	808,794	787,886
INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,103,880)	(802,079)
Purchases of investments	(280,630)	(78,184)
Net Cash Used for Investing Activities	(1,384,510)	(880,263)
FINANCING ACTIVITIES:		
Proceeds from mortgage loans	609,750	-
Payments on mortgage loans	(34,469)	(34,430)
Net Cash Provided by (Used for) Financing Activities	575,281	(34,430)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(435)	(126,807)
CASH AND CASH EQUIVALENTS:		
Beginning of year	1,755,063	1,881,870
End of year	$ 1,754,628	$ 1,755,063
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Interest paid	$ 61,115	$ 61,683

The accompanying notes are an integral part of these financial statements.

NOTE 1 - NATURE OF ORGANIZATION:

Jespy House, Inc. ("Organization") is a not-for-profit corporation dedicated to developing the full potential of developmentally disabled young adults. The Organization primarily services clients who live in New Jersey. Revenues are derived principally from the Organization's programs and contributions, and a significant portion from the state of New Jersey, Department of Human Services. The Organization's offices and operations are located in South Orange, New Jersey.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:
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.

Financial Statement Presentation:
Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

> Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.
>
> Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Also, other net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Cash Equivalents:
The Organization considers all highly liquid debt instruments with an original maturity of less than three months to be cash equivalents.

Tuition Receivable:
Tuition receivable is stated at the amount management expects to collect from outstanding balances. Allowances are estimates based on management's evaluation of outstanding tuition receivable and consideration of historical write-off activity. The Organization charges off tuition receivables when they are determined to be uncollectible. The allowance for doubtful accounts amounted to approximately $27,000 as of June 30, 2022 and 2021.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments:
Investment income is presented net of investment advisory/management fees in the statements of activities and changes in net assets. All investment income is credited directly to unrestricted net assets unless otherwise restricted by the donor. All capital appreciation/depreciation earned on investments is reported as a change in unrestricted net assets unless otherwise restricted by the donor. All investments are carried at fair value with the related gains and losses included in the statement of activities and changes in net assets.

Fair Value:
Fair value measurements are defined as the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

> **Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
>
> **Level 2:** Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data.
>
> **Level 3:** Valuations based on unobservable inputs are used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Property and Equipment:
Property and equipment is stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Deferred Income:
Deferred revenue represents revenues received in advance but not yet earned.

Contribution Revenue:
Revenue from government contracts, which are generally considered nonexchange transactions, is recognized when the Organization’s participants receive services, and also when other conditions under the agreements are met. Program revenues received in advance of their usage are classified as liabilities in the statements of financial position. In applying this concept, the legal and contractual requirements of each individual contract are used as guidance.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Contribution Revenue: (Continued)
The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as net assets without donor restrictions or net assets with donor restrictions according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Net assets with donor restrictions are either available for periods after June 30, 2022, for a specified purpose, or are restricted to endowments to be held indefinitely, with no restriction on the use of income.

Program Revenue:
The Organization derives a significant amount of revenue from services through adult services. Revenues are recognized when control of these products are transferred to its customers in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. For the performance obligation relating to adult services, control transfers to the client over time as the services are provided to the client. Revenues are recognized based on actual time multiplied by an agreed-upon rate with the government agency. There are no significant financing components or variable considerations. Billing is done weekly for early adult services and due on demand.

Advertising:
The Organization uses advertising to promote its programs and expenses them as incurred. Advertising expense for the years ended June 30, 2022 and 2021, was approximately $20,000 and $17,000, respectively, and is included in the statements of functional expenses as printing and advertising expenses.

Income Taxes:
The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not liable for federal and state income taxes. The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization’s financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Organization’s policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during 2022 and 2021. At June 30, 2022 and 2021, there are no significant income tax uncertainties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Use of Estimates:
In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's best estimates and judgment. Actual results could differ from those estimates.

Recent Accounting Pronouncements:
The Financial Accounting Standards Board ("FASB") issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach is required, and the new standard is applied to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date, or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The effective date for the pronouncement is for periods beginning after December 15, 2021. It will be effective for the Organization for the year ended June 30, 2023. The Organization is currently evaluating the effect the new standard will have on the financial statements.

Reclassifications:
Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. This had no effect on the changes in net assets.

Subsequent Events:
The Organization has evaluated its subsequent events and transactions occurring after June 30, 2022 through September 26, 2022, the date that the financial statements were available to be issued.

NOTE 3 - INVESTMENTS:

Investments at fair value are summarized as follows:

	FAIR VALUE MEASUREMENTS AS OF JUNE 30, 2022			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
JCF - Pooled Investment Account	$ -	$ -	$1,366,884	$1,366,884

NOTE 3 - INVESTMENTS: (Continued)

The following table sets forth changes in Level 3 investments:

	Year Ended June 30, 2022
Beginning balance	$ 1,213,359
Total losses (realized/ unrealized) included in changes in net assets for the year ended 6/30/2022	(126,888)
Purchases	270,000
Interest and dividends	22,167
Investment management fees	(11,754)
	$ 1,366,884

The amount of total losses for the year included in changes in net assets attributable to the change in realized/unrealized losses relating to assets still held at the reporting date	$ (126,888)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
JCF – Pooled Investment Account	$1,366,884	$ -	N/A	N/A

The JCF - Pooled Investment Account is a share in the pooled investments of JCF to benefit from the various diversified strategies that JCF invests in, including cash and bonds, multi-strategy hedge funds, long equity, private equity and real estate. The purpose is to generate appreciation while managing risk through diversification.

Investment income and expenses consist of the following

	Year Ended June 30, 2022
Interest and dividends	$ 22,167
Net realized and unrealized gains	(126,888)
Investment management fees	(11,754)
	$ (116,475)

NOTE 3 - INVESTMENTS: (Continued)

All investments are recorded at fair value and summarized as follows:

	FAIR VALUE MEASUREMENTS AS OF JUNE 30, 2021			
	LEVEL 1	**LEVEL 2**	**LEVEL 3**	**TOTAL**
JCF - Pooled Investment Account	$ -	$ -	$1,213,359	$1,213,359

The following table sets forth the changes in Level 3 investments:

	Year Ended June 30, 2021
Beginning balance	$ 905,761
Total losses (realized/ unrealized) included in changes in net assets for the year ended 6/30/2021	229,796
Purchases	77,408
Interest and dividends	10,491
Investment management fees	(10,097)
	$ 1,213,359

The amount of total gains for the year included in changes in net assets attributable to the change in realized/unrealized gains relating to assets still held at the reporting date	$ 229,796

All investments are recorded at fair value and summarized as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
JCF – Pooled Investment Account	$1,213,359	$ -	N/A	N/A

The JCF - Pooled Investment Account is a share in the pooled investments of JCF to benefit from the various diversified strategies that JCF invests in, including cash and bonds, multi-strategy hedge funds, long equity, private equity and real estate. The purpose is to generate appreciation while managing risk through diversification.

NOTE 3 - INVESTMENTS: (Continued)

Investment income and expenses consist of the following

	Year Ended June 30, 2021
Interest and dividends	$ 10,491
Net realized and unrealized gains	229,796
Investment management fees	(10,097)
	$ 230,190

NOTE 4 - PROPERTY AND EQUIPMENT:

Property and equipment is as follows:

	Estimated Useful Life (in years)	June 30, 2022	June 30, 2021
Land	-	$ 1,617,986	$ 1,432,086
Buildings	25-39	3,800,052	3,172,952
Building improvements	15-39	3,081,682	2,341,949
Furniture and equipment	5-7	406,686	305,103
Transportation equipment	5	352,535	352,535
Construction in process		36,702	588,888
Total Cost		9,295,643	8,193,513
Less: Accumulated depreciation		(2,850,959)	(2,595,919)
Land, Building and Equipment, Net		$ 6,444,684	$ 5,597,594

Construction in process at June 30, 2022, represented the costs incurred to renovate a building at 108 Prospect Street. Construction in process at June 30, 2021, represents costs incurred to renovate a building at 301 Academy Street.

NOTE 5 - LINE OF CREDIT:

Jespy House, Inc., had a line of credit available for $500,000 during the fiscal year ending June 30, 2022. The line of credit was payable monthly, interest only, at the prime rate (3.25% at June 30, 2022). The line of credit matures on February 13, 2023. The line of credit is collateralized by a building owned by the Organization. There was no balance on the line of credit as of June 30, 2022 or 2021.

NOTE 6 - LONG-TERM DEBT:

	June 30, 2022	June 30, 2021
A mortgage payable in monthly installments of $2,343 including interest at 4.5% through August 14, 2039. Subsequently, interest shall be charged at the daily advance rate for five-year maturities, plus 2.5%, through August 14, 2024. The mortgage is collateralized by property at 252 Prospect Street, South Orange, New Jersey. The net book value of the property is $455,193.	$ 330,779	$ 342,221
A mortgage payable in monthly installments of $2,283 including interest of 4.0%, through December 1, 2020. Subsequently, interest shall be charged at 3.0% above the current weekly average of the five year Federal Home Loan Bank Advance Rate of New York, through December 1, 2040. The mortgage is collateralized by properties at 110 Irvington Avenue and 65 Academy Street, South Orange, New Jersey. The net book value of properties is $ 710,712.	353,045	364,549
A mortgage payable in monthly installments of $2,931 including interest of 4% through July 1, 2052. The mortgage is collateralized by property at 108 Prospect Street, South Orange, New Jersey. The loan will mature on July 1, 2052. The net book value of the property is $807,299.	609,750	-
A mortgage payable in monthly installments of $3,077 including interest of 4% through March 6, 2030. The mortgage is collateralized by property at 301 Academy Street, South Orange, New Jersey. The loan will mature on March 6, 2030. The net book value of the property is $785,437.	620,083	631,606
Long-term Debt, net of unamortized debt issuance costs	1,913,657	1,338,376
Less Current maturities	48,057	36,757
Total Long-term Debt, net of unamortized debt issuance costs	$ 1,865,600	$ 1,301,619

NOTE 6 - LONG-TERM DEBT: (Continued)

Amortization of debt issuance costs of $2,288 for the years ending June 30, 2022 and 2021, is reported in the statements of functional expenses as interest expense

Long-term debt matures as follows:

Year Ended June 30,		Amount
2023	$	48,057
2024		382,080
2025		62,783
2023		63,916
2027		65,093
Thereafter		1,297,674
Total Notes Payable		1,919,603
Less: Unamortized debt issuance costs		5,946
Notes Payable, net of unamortized debt issuance costs	$	1,913,657

NOTE 7 - PAYROLL PROTECTION PROGRAM:

The Organization obtained a Paycheck Protection Program (“PPP”) loan under the CARES Act in April 2020 for $836,200. The Organization recorded the PPP funds received as a conditional government grant during the year end June 30, 2020, and recognized revenue as the conditions for forgiveness set forth by the U.S. Small Business Administration (“SBA”) were satisfied. As of June 30, 2021, all amounts received under the PPP were expended and recognized as revenue on the statements of activities and changes in net assets. The Organization received full forgiveness in July 2021. The SBA reserves the right to audit loan forgiveness for six years from the date that forgiveness was awarded.

NOTE 8 - COMMITMENTS AND CONTINGENCIES:

Leases:
The Organization currently leases office space expiring in May 2024. Monthly payments on this lease range from $2,250 to $2,388.

The Organization also leases additional office space expiring in April 2026. Monthly rent on this lease ranges from $3,867 to $4,164.

Rent expense for the years ending June 30, 2022 and 2021, was $75,051 and $13,852, respectively and is included in rent and occupancy expense on the statements of functional expenses. At June 30, 2022, future minimum payments on these leases are as follows:

Year	Amount
2022	$ 73,474
2023	74,577
2024	74,129
2025	49,061
2026	37,478
	$ 308,719

Legal:
The Organization is involved with certain claims and other routine litigation matters in the normal course of operations, including equal opportunity employment issues. In the opinion of management, after consultation with legal counsel, the outcome of such matters is not expected to have a material adverse effect on the Organization's financial position or results of operations.

NOTE 9 - BOARD DESIGNATED NET ASSETS:

As of June 30, 2022 and 2021, the board had designated certain assets to be held in reserve to fund future operations should the need arise.

The funds are fully available to the Organization with board approval; however, the board considers the following factors in making a determination to appropriate or accumulate board-designated funds:

(1) The duration and preservation of the program
(2) The purposes of the Organization and the reserve fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

NOTE 9 - BOARD DESIGNATED NET ASSETS: (Continued)

The Board of Trustees' primary objective, in this regard, is to add value and minimize risk in managing the assets of the fund while providing a hedge against inflation into the future. It is the intent of the Board of Trustees to grow the fund and utilize the total return (income plus capital change) to further the mission of the Organization. In recognition of the prudence required of fiduciaries, reasonable diversification of quality investment securities will be sought where possible, knowing that fluctuating rates of return are a characteristic of the investment market and performance cycles cannot be accurately predicted.

Spending Policy:
For the years ended June 30, 2022 and 2021, the Organization may distribute any amount of the investment portfolio value each year, as approved by the board. The fund must always remain above $10,000. In 2022 and 2021, there were no distributions from the investment portfolio.

Changes in board designated net assets for the year ended June 30, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2021	$ 1,213,359	$ -	$ 1,213,359
Investment return, net	(116,475)	-	(116,475)
Contributions	59,482	-	59,482
Transfer	210,518	-	210,518
Endowment net assets, June 30, 2022	$ 1,366,884	$ -	$ 1,366,884

Changes in endowment net assets for the year ended June 30, 2021, as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2020	$ 905,761	$ -	$ 905,761
Investment return, net	230,190	-	230,190
Contributions	47,408	-	47,408
Transfer	30,000	-	30,000
Endowment net assets, June 30, 2021	$ 1,213,359	$ -	$ 1,213,359

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets with donor restrictions for a specified purpose released from restriction were as follows:

	Year Ended June 30, 2022	Year Ended June 30, 2021
Accessibility for All Project	$ -	$ 94,500
Capital Improvements	2,797	43,251
Cultural Arts	13,740	15,000
Client Engagement Position	51,504	52,310
General Programing	13,307	12,500
Client Emergency Fund	7,354	8,135
	$ 88,702	$ 225,696

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS:

	June 30, 2022	June 30, 2021
Net Assets with Donor Restrictions:		
Cultural Arts	$ 1,634	$ -
Capital Improvements	-	9,423
Client Emergency Fund	22,692	48
Outclient Programs	3,250	1,909
General Programing	23,230	23,624
Client Engagement Position	88,532	140,036
Total Net Assets Restricted for Specified Purpose	$ 139,338	$ 175,040

NOTE 12 - FUNCTIONAL EXPENSES:

Costs of providing the Organization’s programs, management and general, and fundraising activities are separately summarized in the statements of functional expenses. Accordingly, certain costs have been allocated among program services, management and general, and fundraising activities benefited. Management and general costs include those expenses that are not directly identifiable with any other specific function but do provide for the overall support and direction of the Organization. Scholarships, client transportation, food purchases, program expenses, other program expenses, fee for service client expenses, fundraising, and interest are based on the direct-costing method. All other expenses are based on a combination of direct costing, and time and effort.

NOTE 13 - CONCENTRATIONS OF CREDIT RISK:

Financial instruments, that potentially subject the Organization to significant concentrations of credit risk, consist principally of cash and receivables.

The Organization maintains cash and cash equivalent balances at several financial institutions that in some instances may exceed insured limits.

Approximately 43% of accounts payable were due to two vendors for the year ended June 30, 2022, respectively. Approximately 63% of accounts payable were due to three vendors for the year ended June 30, 2021.

Approximately 79% of the Organization’s accounts receivable was related to one program for the year ended June 30, 2022. Approximately 85% of the Organization’s accounts receivable was related to one program for the year ended June 30, 2021, respectively.

There were no revenue concentration’s for the year ended June 30, 2022. Approximately 13% of the Organization’s total revenue was received from one source for the year ended June 30, 2021, respectively.

NOTE 14 - LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following represents the Organization's financial assets reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	June 30, 2022	June 30, 2021
Cash and cash equivalents	$ 1,754,628	$ 1,755,063
Investments	1,366,884	1,213,359
Tuition receivable, net	363,833	167,985
	3,485,345	3,136,407
Less amounts not available to be used within one year:		
Board designated net assets	(1,366,884)	(1,213,359)
Net assets with donor restrictions	(139,338)	(175,040)
Estimated donor restricted releases	139,338	175,040
	(1,366,884)	(1,213,359)
Financial assets available to meet general expenditures over the next 12 months	$ 2,118,461	$ 1,923,048

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. The Organization also has a $500,000 line of credit that is fully available and board designated funds of $1,366,884 that can be used should the need arise.

NOTE 15 - RISKS AND UNCERTAINTIES:

The Organization is actively monitoring the ongoing COVID-19 outbreak and its potential impact on the employees, volunteers, donors, and operations. It is not known at this time how much effect the virus will have on operations and/or financial results. The potential impact of COVID-19 is not foreseeable due to various uncertainties, including the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities.