Gateway Homes, Inc.

Combined Financial Statements

September 30, 2023 and 2022

Keiter
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GATEWAY HOMES, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Gateway Homes, Inc.
Richmond, Virginia

Opinion

We have audited the accompanying combined financial statements of Gateway Homes, Inc. and Gateway Farms (collectively, the "Organization"), which comprise the combined statements of financial position as of September 30, 2023 and 2022, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Gateway Homes, Inc. and Gateway Farms as of September 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined 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 Combined Financial Statements

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

In preparing the combined 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 combined financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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, including omissions, 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 combined 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 combined 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 combined 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 combined 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.

Keiter

January 22, 2024
Glen Allen, Virginia

GATEWAY HOMES, INC.

Combined Statements of Financial Position
September 30, 2023 and 2022

	2023	2022
Current assets:		
Cash and cash equivalents	$ 5,446,597	$ 2,053,960
Restricted cash	158,449	166,543
Accounts receivable - net	1,241,399	1,356,669
Grants and contributions receivable	-	100,000
Prepaid expenses and other	176,417	103,838
Total current assets	7,022,862	3,781,010
Property and equipment:		
Land	480,529	441,029
Buildings and improvements	4,826,885	4,476,385
Furniture and equipment	356,853	337,693
Vehicles	1,042,391	844,672
	6,706,658	6,099,779
Less accumulated depreciation	(2,925,634)	(2,700,857)
Total property and equipment - net	3,781,024	3,398,922
Other assets:		
Cash - HUD	123,297	121,693
Right-of-use operating assets, net	2,131,626	-
Investments	1,598,535	1,377,801
Total other assets	3,853,458	1,499,494
Total assets	$ 14,657,344	$ 8,679,426

See accompanying notes to combined financial statements.

GATEWAY HOMES, INC.

Combined Statements of Financial Position, Continued
September 30, 2023 and 2022

	2023	2022
Current liabilities:		
Mortgage payable - current	$ 22,799	$ 20,870
Note payable - current	17,033	12,610
Accounts payable	255,884	176,905
Accrued expenses	964,532	932,068
Operating lease liabilities - current	586,287	-
Liability under charitable gift annuity - current	-	70,000
Total current liabilities	1,846,535	1,212,453
Mortgage payable - noncurrent	154,077	172,590
Note payable - noncurrent	712,249	437,742
Operating lease liabilities - noncurrent	1,546,789	-
Liability under charitable gift annuity - noncurrent	-	138,066
Total liabilities	4,259,650	1,960,851
Net assets:		
Without donor restrictions	8,428,891	4,993,735
With donor restrictions	1,968,803	1,724,840
Total net assets	10,397,694	6,718,575
Total liabilities and net assets	$ 14,657,344	$ 8,679,426

See accompanying notes to combined financial statements.

GATEWAY HOMES, INC.

Combined Statements of Activities
Year Ended September 30, 2023
With Summarized Totals for the Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenues, gains (losses), and other support:				
Resident fees	$ 15,955,316	$ -	$ 15,955,316	$ 15,321,368
Grants	50,140	286,000	336,140	502,150
Contributions	67,192	82,500	149,692	198,801
Federal housing assistance	93,400	-	93,400	88,310
Employee retention credit (see Note 16)	4,173,519	-	4,173,519	735,750
Investment income (loss), net	2,888	217,846	220,734	(251,282)
Change in value of charitable gift annuity obligation	181,361	-	181,361	(31,756)
Miscellaneous	78,304	-	78,304	13,690
	20,602,120	586,346	21,188,466	16,577,031
Net assets released from restriction	342,383	(342,383)	-	-
Total revenues, gains, and other support	20,944,503	243,963	21,188,466	16,577,031
Expenses and losses:				
Program services	15,159,807	-	15,159,807	14,099,472
Management and general	1,926,964	-	1,926,964	2,274,760
Fundraising	399,067	-	399,067	248,576
Total expenses	17,485,838	-	17,485,838	16,622,808
Loss on accounts receivable	23,509	-	23,509	208,006
Total expenses and losses	17,509,347	-	17,509,347	16,830,814
Change in net assets	3,435,156	243,963	3,679,119	(253,783)
Net assets, beginning of year	4,993,735	1,724,840	6,718,575	6,972,358
Net assets, end of year	$ 8,428,891	$ 1,968,803	$ 10,397,694	$ 6,718,575

See accompanying notes to combined financial statements.

GATEWAY HOMES, INC.

Combined Statements of Activities, Continued
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Resident fees	$ 15,321,368	$ -	$ 15,321,368
Grants	109,650	392,500	502,150
Contributions	143,801	55,000	198,801
Federal housing assistance	88,310	-	88,310
Employee retention credit (see Note 16)	735,750	-	735,750
Investment loss, net	(12,257)	(239,025)	(251,282)
Change in value of charitable gift annuity obligation	(31,756)	-	(31,756)
Miscellaneous	13,690	-	13,690
	16,368,556	208,475	16,577,031
Net assets released from restriction	434,854	(434,854)	-
Total revenues, gains, and other support	16,803,410	(226,379)	16,577,031
Expenses and losses:			
Program services	14,099,472	-	14,099,472
Management and general	2,274,760	-	2,274,760
Fundraising	248,576	-	248,576
Total expenses	16,622,808	-	16,622,808
Loss on accounts receivable	208,006	-	208,006
Total expenses and losses	16,830,814	-	16,830,814
Change in net assets	(27,404)	(226,379)	(253,783)
Net assets, beginning of year	5,021,139	1,951,219	6,972,358
Net assets, end of year	$ 4,993,735	$ 1,724,840	$ 6,718,575

See accompanying notes to combined financial statements.

GATEWAY HOMES, INC.

Combined Statements of Functional Expenses
Year Ended September 30, 2023

	Program Services	Management and General	Fundraising	Total
Salaries and related expenses:				
Salaries	$ 9,594,060	$ 850,482	$ 314,504	$ 10,759,046
Employee benefits and payroll taxes	1,422,742	203,828	42,741	1,669,311
Total salaries and related expenses	11,016,802	1,054,310	357,245	12,428,357
Expenses:				
Food	718,394	3,185	2,520	724,099
Insurance	3,929	217,113	-	221,042
Interest	-	23,585	-	23,585
Occupancy	2,068,785	134,831	-	2,203,616
Office expenses	88,122	54,944	4,242	147,309
Other operating expenses	313,749	14,179	2,682	330,610
Professional fees	29,913	358,065	31,119	419,098
Program initiative supplies	179,639	-	-	179,639
PSR program expenses	140,398	-	-	140,398
Resident expenses	132,400	-	-	132,400
Staff development	12,652	46,672	434	59,758
Transportation	204,272	20,079	824	225,175
Total expenses before depreciation	14,909,055	1,926,964	399,067	17,235,086
Depreciation	250,752	-	-	250,752
Total functional expenses	$ 15,159,807	$ 1,926,964	$ 399,067	$ 17,485,838

See accompanying notes to combined financial statements.

GATEWAY HOMES, INC.

Combined Statements of Functional Expenses, Continued
Year Ended September 30, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and related expenses:				
Salaries	$ 9,229,921	$ 1,123,468	$ 176,060	$ 10,529,449
Employee benefits and payroll taxes	1,392,678	210,273	22,497	1,625,448
Total salaries and related expenses	10,622,599	1,333,741	198,557	12,154,897
Expenses:				
Food	474,975	-	42	475,017
Insurance	681	223,689	-	224,370
Interest	15,816	-	-	15,816
Occupancy	1,818,464	91,152	22	1,909,638
Office expenses	90,762	53,342	3,815	147,919
Other operating expenses	134,655	194,553	20,866	350,074
Professional fees	107,720	319,876	24,642	452,238
Program initiative supplies	162,389	-	-	162,389
PSR program expenses	99,720	-	-	99,720
Resident expenses	70,668	-	-	70,668
Staff development	17,831	43,872	215	61,918
Transportation	189,710	14,535	417	204,662
Total expenses before depreciation	13,805,990	2,274,760	248,576	16,329,326
Depreciation	293,482	-	-	293,482
Total functional expenses	$ 14,099,472	$ 2,274,760	$ 248,576	$ 16,622,808

See accompanying notes to combined financial statements.

GATEWAY HOMES, INC.

Combined Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 3,679,119	$ (253,783)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	250,752	293,482
(Gain) loss on disposal of property and equipment	2,700	(11,834)
Loss on accounts receivable	23,509	208,006
Investment loss (income) reinvested, net	(220,734)	251,282
Payment on mortgage payable balance via reduction in tenant assistance payments received	(16,584)	(19,104)
Change in value of charitable gift annuity obligation	(181,361)	31,756
Change in:		
Accounts receivable - net	91,761	(418,216)
Grants and contributions receivable	100,000	(100,000)
Prepaid expenses and other	(72,579)	141,055
Operating lease assets and liabilities, net	1,450	-
Accounts payable	78,979	46,313
Accrued expenses	32,464	429,441
Net cash provided by operating activities	3,769,476	598,398
Cash flows from investing activities:		
Purchase of property and equipment	(345,754)	(135,785)
Proceeds from sale of property and equipment	2,700	16,815
Proceeds from sale of investments	-	283,667
Net cash provided by (used in) investing activities	(343,054)	164,697

See accompanying notes to combined financial statements.

GATEWAY HOMES, INC.

Combined Statement of Cash Flows, Continued
Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from financing activities:		
Payments on note payable	$ (13,570)	$ (13,356)
Charitable gift annuity obligation distributions	(26,705)	(70,000)
Net cash used in financing activities	(40,275)	(83,356)
Net change in cash, cash equivalents, and restricted cash	3,386,147	679,739
Cash, cash equivalents, and restricted cash, beginning of year	2,342,196	1,662,457
Cash, cash equivalents, and restricted cash, end of year	$ 5,728,343	$ 2,342,196
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 42,148	$ 34,032
Supplemental information on non-cash financing activities:		
Acquisition of property and equipment with a note payable	$ 292,500	$ -
Operating lease assets obtained in exchange for lease liabilities	$ 2,645,083	$ -
Reconciliation to Combined Statements of Financial Position:		
Cash and cash equivalents	$ 5,446,597	$ 2,053,960
Restricted cash	158,449	166,543
Cash - HUD	123,297	121,693
	$ 5,728,343	$ 2,342,196

See accompanying notes to combined financial statements.

1. Nature of Activities:

Gateway Homes, Inc., incorporated in Virginia in 1983, is a transitional residential treatment program for individuals with serious mental illness whose primary goal is to live as independently as possible. Gateway Farms was established to serve as a rural residential facility. The two corporations share common staff and are collectively referred to herein as the Organization. All intercompany transactions and balances are eliminated in these combined financial statements.

2. Summary of Significant Accounting Policies:

Basis of Accounting: The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Net Asset Classification: The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions include the revenues and expenses of the primary operations of the Organization. If the Board specifies a purpose where none has been stated by the original donor, such assets are classified as board designated within assets without donor restrictions. There were no board designated net assets as of September 30, 2023 and 2022.

Net assets with donor restrictions – Net assets that are stipulated by donors for specific purposes or which have time restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions. Net assets with donor restrictions also includes those that are subject to donor-imposed stipulations that require the Organization maintain them into perpetuity.

Use of Estimates: The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the periods reported. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

2. Summary of Significant Accounting Policies, Continued:

Restricted Cash: Restricted cash includes funds received from social security on behalf of clients whom the Organization serves as the payee. The Organization maintains these funds in a separate account and are held for use by the clients.

Accounts Receivable: Accounts receivable include amounts due from the U.S. Government and Virginia community service boards for services provided to residents and are reported net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will actually be collected. As of September 30, 2023 and 2022, the allowance for doubtful accounts was $292,903 and $269,394, respectively. As of September 30, 2023, 2022, and 2021, accounts receivable was $1,534,302, $1,626,063, and $1,207,847, respectively.

Grants and Contributions Receivable: The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 and reported in the accompanying combined statements of activities as amounts released from restrictions.

Grants and contributions receivable are reported net of an allowance for uncollectible grants and contributions based on management's estimate of the amount of grants and contributions receivable that will actually be collected. At September 30, 2023, there were no grants and contributions receivable. At September 30, 2022, grants and contributions was $100,000 and was fully collected by the Organization during 2023.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the combined statements of financial position. Net investment income or loss, including unrealized gains and losses, is included in the change in net assets in the accompanying combined statements of activities.

Property and Equipment: Property and equipment are stated at cost or, if donated, appraised value at date of gift. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets, which range from 5 to 40 years.

2. Summary of Significant Accounting Policies, Continued:

Valuation of Long-Lived Assets: The Organization accounts for the valuation of long-lived assets under GAAP, which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of carrying amount or fair value, less cost to sell. There were no impairments identified in 2023 or 2022.

Recognition of Resident Fees: Resident fees are recognized on a daily basis using a per bed utilization rate. Contract liabilities relate to fees received in advance of the contract period and are shown as deferred revenue on the combined statements of financial position. There are no contract assets and liabilities. These fees are reported at estimated net realizable amounts from resident and third-party payers for services rendered. Revenue from the Medicare and Medicaid programs account for a portion of the Organization’s resident fees for 2023 and 2022. Laws and regulations governing the these programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. In addition, approximately 68% in 2023 and 66% in 2022 of the Organization's resident fees are funded by two Virginia counties, and an additional 34% in 2023 and 33% in 2022 is funded by one state agency.

Recognition of Grants and Contributions: Contributions and grants received are recorded as restricted support if they are received with donor stipulations that limit the use of the contributed assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Endowment contributions are net assets with donor restrictions to be held in perpetuity.

Contributions of financial assets other than cash are recorded at their estimated fair value at the time of donation. The Organization did not receive any significant non-cash contributions during 2023 and 2022.

Contributions of Non-Financial Assets: The value of contributed personal property and the value of contributed services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and are of the type that would have been purchased if not contributed, will be recognized in the combined financial statements, if material. In 2023 and 2022, no amounts have been recognized for contributed materials or services, since the amounts were determined to be immaterial and/or there is no objective basis is available to measure the value of such services.

2. Summary of Significant Accounting Policies, Continued:

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statements of activities and in the combined statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the time spent on these activities by the Organization's personnel.

Income Taxes: The Organization is exempt from income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code.

Income Tax Uncertainties: The Organization follows the FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the combined financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management has evaluated the Organization's tax position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the combined financial statements to comply with the provisions of this guidance. The Organization is not currently under audit by any tax jurisdiction.

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable, and investments.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant financial credit risk on cash.

The Organization had receivables due from federal and state governments, agencies, and foundations for resident fees. Management believes credit risk related to these receivables was limited due to their nature.

The Organization invests in various investment securities, which are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would affect the investment balance and the amount reported in the accompanying combined financial statements.

2. Summary of Significant Accounting Policies, Continued:

Leases: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* which supersedes ASC 840 and creates a new topic, ASC 842. ASC 842 requires lessees to recognize a right-of-use asset and a lease liability on the combined statement of financial position for substantially all leases with a term of 12 months or greater. Leases are classified as either finance or operating, with classification affecting expense recognition in the Organization's operations.

The lease liabilities are initially measured at the present value of future lease payments, measured on a discounted basis, as of the lease commencement date or the adoption date, whichever is later. The right-of-use assets are initially measured at the value of the lease liability, adjusted for initial direct lease costs, lease incentives, and prepaid or deferred rent. The Organization elected to use the risk-free discount rate for any leases for which the rate implicit in the lease was not readily determinable. The right-of-use assets and lease liabilities are calculated to include options to extend or terminate the lease when the Organization determines that it is reasonably certain it will exercise those options. In making those determinations, the Organization considers various existing economic and market factors, business strategies as well as the nature, length, and terms of the lease agreements.

At October 1, 2022, the Organization adopted the provisions of ASC 842, using the modified retrospective adoption method. In addition, the Organization utilized the simplified transition option available in ASC 842, which allows entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption.

Upon adoption of ASC 842, the Organization elected the transitional package of practical expedients that allow an entity to not reassess (1) whether any expired or existing contracts contain a lease, (2) the lease classification of any expired or existing lease, and (3) initial direct costs for any existing lease, and the use of hindsight in determining the lease term. In addition, the Organization elected to not record a lease liability and corresponding right-of-use asset for leases with terms of 12 months or less, and to account for lease and non-lease components as a single lease component.

The adoption of ASC 842 resulted in the recognition of operating lease right-of-use assets and operating lease liabilities of $475,045 as of October 1, 2022. The standard did not materially impact the Organization's operations and cash flows.

Subsequent Events: Management has evaluated subsequent events through January 22, 2024, the date the combined financial statements were available to be issued, and has determined, other than the matter disclosed below, there are no subsequent events to be reported in the accompanying combined financial statements.

In November 2023, the Organization purchased a home for $500,000 to house patients transitioning out of the hospital system. In connection with the purchase of the home, the Organization secured a $400,000 mortgage.

3. Reserves and Residual Receipts:

The Organization has an agreement with the U.S. Department of Housing and Urban Development ("HUD") whereby HUD is to provide additional funding based on the financial needs of the Organization's residents.

The regulatory agreement with HUD requires that the Organization establish and maintain a reserve fund for replacements. HUD also requires the Organization to establish a reserve for residual receipts. These restricted balances are segregated from operating cash in a separate bank account and can only be withdrawn with HUD approval.

4. Investments:

At September 30, 2023, investments consist of the following:

	Cost	Market Value	Unrealized Gain (Loss)
Money market funds	$ 141,409	$ 141,409	$ -
Exchange traded funds	1,082,286	1,175,590	93,304
Corporate bonds	316,089	281,536	(34,553)
	$ 1,539,784	$ 1,598,535	$ 58,751

For the year ended September 30, 2023, net investment income consists of the following:

Interest and dividend income	$ 22,622
Realized and unrealized gains, net	209,333
Investment expenses	(11,221)
	$ 220,734

4. Investments, Continued:

At September 30, 2022, investments consist of the following:

	Cost	Market Value	Unrealized Loss
Money market funds	$ 130,008	$ 130,008	$ -
Exchange traded funds	1,082,286	963,401	(118,885)
Corporate bonds	316,089	284,392	(31,697)
	$ 1,528,383	$ 1,377,801	$ (150,582)

For the year ended September 30, 2022, net investment losses consists of the following:

Interest and dividend income	$ 27,469
Realized and unrealized losses, net	(264,833)
Investment expenses	(13,918)
	$ (251,282)

5. Fair Value Measurements:

The Organization follows FASB guidance with respect to fair value measurements. This guidance provides a framework for measuring fair value under GAAP, for all financial assets and liabilities measured at fair value on a recurring basis.

The guidance establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level that is significant to the fair value measurement of the asset or liability.

5. Fair Value Measurements, Continued:

Classification of assets and liabilities within the hierarchy considers the market in which the assets or liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

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

Level 2 - Inputs to the valuation methodology are quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. There were no assets or liabilities classified as Level 3 at September 30, 2023 or 2022.

The following is a description of the valuation methodologies used for assets measured at fair value:

Money market: Valued at the cash balance.

Exchange traded funds: Valued at the closing price as reported on the active market on which stocks are traded.

Corporate bonds: Valued at the closing price as reported on the active market on which bonds are traded.

Charitable gift annuity obligation: Valued at present value of the future payment obligations under the annuity agreement.

5. Fair Value Measurements, Continued:

Assets and liabilities measured at fair value at September 30, 2023 include the following:

	Level 1	Level 2	Total
Assets:			
Investments:			
Money market funds	$ 141,409	$ -	$ 141,409
Exchange traded funds	1,175,590	-	1,175,590
Corporate bonds	-	281,536	281,536
	$ 1,316,999	$ 281,536	$ 1,598,535

Assets and liabilities measured at fair value at September 30, 2022 include the following:

	Level 1	Level 2	Total
Assets:			
Investments:			
Money market funds	$ 130,008	$ -	$ 130,008
Exchange traded funds	963,401	-	963,401
Corporate bonds	-	284,392	284,392
	$ 1,093,409	$ 284,392	$ 1,377,801
Liabilities:			
Charitable gift annuity obligation	$ -	$ 208,066	$ 208,066

6. Fairfax Property:

The Organization received donated property valued at $298,184 from the County of Fairfax during 2013. A promissory note agreement for the same amount was simultaneously entered into by the Organization and the County of Fairfax. The promissory note agreement, dated April 25, 2013, bears no interest and is not required to be repaid as long as the housing remains available to extremely low and moderate income persons for a period of 30 years. The promissory note is secured by a deed of trust on the property. Upon non-compliance with the agreement, the promissory note shall become immediately due and payable at an annual interest rate of the prime rate plus four basis points. The donated value of the property is reflected in the Organization's net assets with donor restrictions in the combined statements of financial position. Since the possibility of failing to meet the use criteria is remote, the note payable has not been recorded by the Organization.

7. Charitable Gift Annuity Obligation:

The Organization was a remainder beneficiary of a charitable gift annuity dated 2001 which was recorded at the present value of the expected payout based on the life expectancy of the donor. The discount rate was the IRS Section 7520 rate and the annual payout was $70,000. During the term of the agreement, any changes in actuarial assumptions were recognized as "change in charitable gift annuity obligation" in the accompanying combined statements of activities. The donor passed away during January 2023 and the remaining liability was recorded as change in value of charitable gift annuity obligation in the 2023 combined statement of activities.

A summary of the change in the invested balance and obligation liability of the charitable gift annuity for the years ended September 30, 2023 and 2022, is as follows:

	2023	2022
Balance - beginning of year	$ 208,066	$ 246,310
Annuity payments	(26,705)	(70,000)
Change in value	(181,361)	31,756
Balance - end of year	$ -	$ 208,066

8. Line of Credit:

The Organization has available a revolving line of credit with a commercial bank through April 22, 2024 providing for maximum borrowings of $1,000,000, secured by certain assets of the Organization as described in the line of credit agreement. Interest on the outstanding principal balance accrues at the Wall Street Journal Prime Rate plus .25% (8.75% at September 30, 2023 and 6.50% at September 30, 2022). The line is payable and matures on demand. The line of credit had no outstanding balance at September 30, 2023 and 2022.

9. Note Payable:

The Organization obtained a promissory note in the amount of $467,500 with a commercial bank during 2021. The note requires monthly payments of principal and interest at 3.5% through May 2026 where an estimated lump sum final payment of $406,272 is due. The note is secured by certain assets of the Organization. The principal balance at September 30, 2023 and 2022, was $436,782 and $450,352, respectively.

The Organization obtained a promissory note in the amount of $292,500 with a commercial bank during 2023. The note requires monthly payments of principal and interest of $2,117 at 7.15% through September 2028 where an estimated lump sum final payment of $269,929 is due. The note is secured by certain assets of the Organization. The principal balance at September 30, 2023 was $292,500.

9. Note Payable, Continued:

Future minimum principal payments on the note payable as of September 30, 2023 are as follows:

Year Ending September 30:	Amount
2024	$ 17,033
2025	18,167
2026	415,192
2027	5,366
2028	273,524
	$ 729,282

10. Mortgage Payable - HUD:

The mortgage payable to HUD is collateralized by Gateway Farms' land and improvements and will mature September 1, 2029. The monthly payment of $3,100 includes interest at 8.875%, and is made via a deduction in tenant assistance payments received from HUD. The principal balance at September 30, 2023 and 2022, was $176,876 and $193,460, respectively.

Future minimum principal payments as of September 30, 2023, are as follows:

Year Ending September 30:	Amount
2024	$ 22,799
2025	24,907
2026	27,910
2027	29,725
2028	32,473
Thereafter	39,062
	$ 176,876

Under agreements with HUD, the Organization is required to make monthly deposits for replacement of project assets and is subject to restrictions as to operating policies, rental charges, operating expenditures, and distributions. The liability of the Organization under the mortgage note is limited to the underlying value of the real estate.

11. Net Assets with Donor Restrictions:

Net assets with donor restrictions at September 30, 2023 and 2022, consist of the following:

Purpose	2023	2022
Affordable low income housing	$ 234,153	$ 258,036
Capital improvements	170,000	120,000
Endowment fund	1,564,650	1,346,804
	$ 1,968,803	$ 1,724,840

Net assets were released from donor restrictions during 2023 and 2022 by incurring expenses satisfying the restricted purposes, as follows:

Purpose	2023	2022
Affordable low income housing	$ 23,883	$ 23,883
Nurse practitioner salaries and related expenses	10,000	7,500
Outpatient services	308,500	320,000
Endowment fund	-	83,471
	$ 342,383	$ 434,854

12. Endowment Fund:

The Organization had several endowment funds established to support its programs. The endowment funds included both a donor-restricted endowment fund and a fund designated by the Board of Directors to function as an endowment. During 2019, the Board of Directors released from designations all board designated net assets. Net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions as required by GAAP.

12. Endowment Fund, Continued:

Interpretation of Relevant Law: The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 funds that are not classified as restricted in perpetuity are only reclassified as net assets without donor restrictions when those amounts appropriated for expenditure by the Organization are disbursed in accordance with the donor restrictions in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate funds in the endowment funds designated by the Board of Directors:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Return Objectives and Risk Parameters: The objective of the Organization’s investment policy is to achieve long-term growth in principal while preserving capital through investment in a diversified portfolio of quality investment securities, producing a favorable investment return as compared against inflation. Notwithstanding this investment policy, all restrictions placed by donors or by law on the interest and investment earnings on any funds and their use shall be honored.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization’s asset allocation ranges for various asset classes shall be established from time to time by the Board of Directors with the assistance of the investment manager.

12. Endowment Fund, Continued:

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Organization has a spending policy for the Board of Directors to periodically review and determine when it is necessary or desirable in connection with the execution of Organization's strategic plans and policies to make distributions from endowment funds other than as specifically required by donors. The income that may be spent, as determined by the Board of Directors or the donor's direction, may be drawn from both ordinary income earned (i.e., dividends, interest, etc.) and appreciation, both realized and unrealized.

Funds with Deficits: From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or the UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported within net assets with donor restrictions. At September 30, 2023, there were no such deficiencies. At September 30, 2022, there were deficiencies of $3,363.

Endowment net asset composition by type of fund was as follows as of September 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund - corpus	$ -	$ 1,350,167	$ 1,350,167
Donor-restricted endowment fund - deficit	-	214,483	214,483
	$ -	$ 1,564,650	$ 1,564,650

Changes in endowment net assets were as follows for the year ended September 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	$ -	$ 1,346,804	$ 1,346,804
Investment gain, net	-	228,823	228,823
Appropriation for expenditure	-	(10,977)	(10,977)
Endowment net assets - end of year	$ -	$ 1,564,650	$ 1,564,650

12. Endowment Fund, Continued:

Endowment net asset composition by type of fund was as follows as of September 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund - corpus	$ -	$ 1,350,167	$ 1,350,167
Donor-restricted endowment fund - earnings	-	(3,363)	(3,363)
	$ -	$ 1,346,804	$ 1,346,804

Changes in endowment net assets were as follows for the year ended September 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	$ -	$ 1,669,300	$ 1,669,300
Investment loss, net	-	(239,025)	(239,025)
Appropriation for expenditure	-	(83,471)	(83,471)
end of year	$ -	$ 1,346,804	$ 1,346,804

13. Retirement Plan:

The Organization sponsors a 401(k) plan covering qualified employees. The Organization matches employee contributions up to a maximum of 3% of gross wages for 2023 and 2022. Employer contributions to the 401(k) plan were $100,193 for 2023 and $115,470 for 2022.

14. Leases:

The Organization leases equipment, office space, and treatment locations under operating leases expiring at various terms through December 2032. Future minimum payments under the leases are as follows at September 30, 2023:

Year Ending September 30:	Amount
2024	$ 670,410
2025	508,235
2026	331,292
2027	259,962
2028	143,955
Thereafter	497,915
Total payments	2,411,769
Less: Amount representing interest	(278,693)
Total operating lease liabilities	$ 2,133,076

At September 30, 2023, the remaining weighted-average lease term was 5.46 years and the weighted-average discount rate was 4.54%.

The components of lease expense for the year ended September 30, 2023 are as follows:

Operating lease costs	$ 614,800
Short-term lease costs	74,400
Other lease costs	20,945
	$ 710,145

Lease expense for all leases amounted to $649,455 for 2022.

The Organization is subject to a contingent liability on the Fairfax property (see Note 6).

15. Liquidity and Availability of Financial Assets:

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, receivables, investments, and a line of credit (see Note 8).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing a transitional residential treatment program for adults with mental illness who are striving for independence as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient support and revenue to cover general expenditures not covered by existing resources.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the combined statements of financial position date of September 30, 2023 and 2022 comprise the following:

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 5,446,597	$ 2,053,960
Accounts receivable - net	1,241,399	1,356,669
Investments	1,598,535	1,377,801
Total financial assets	8,286,531	4,788,430
Less those unavailable for general expenditure within one year:		
Net assets with donor restrictions - endowment fund	1,564,650	1,346,804
Financial assets available within one year for general expenditure	$ 6,721,881	$ 3,441,626

16. Employee Retention Credits:

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020, provides for an Employee Retention Credits (“ERC”) that is designed to encourage eligible employers to keep employees on their payroll despite experiencing an economic hardship related to COVID-19. The credit consists of a refundable payroll tax credit for 70% of wages paid by employers to employees for 2021 and 50% of wages paid by employers to employees for 2020. The Organization has accounted for the Employee Retention Credits in accordance with FASB ASC 958-605 as employee retention credit income the accompanying combined statements of activities.

Amounts received as ERC are subject to audit and adjustment by the Internal Revenue Service. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. It is management’s belief that adjustments, if any, would not materially affect the Organization’s financial position.

17. New Accounting Guidance:

Credit Losses: In June 2016, the FASB issued new guidance that replaces the current incurred loss model used to measure impairment losses with an expected loss model for trade and other receivables. The new standard will be effective for periods beginning after December 15, 2022 and will require entities to use a modified retrospective approach to the earliest period presented. The Organization is currently evaluating the reporting and economic implications of the new standard.