CARE FOR THE HOMELESS AND AFFILIATES

Consolidated Financial Statements
Year Ended December 31, 2017
With Independent Auditor's Report

MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

CARE FOR THE HOMELESS AND AFFILIATES
Consolidated Financial Statements
Year Ended December 31, 2017

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MITCHELL TITUS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Care for the Homeless and Affiliates

We have audited the accompanying consolidated financial statements of Care for the Homeless and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Care for the Homeless and Affiliates as of December 31, 2017 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As part of our audit of the December 31, 2017 financial statements, we also audited the adjustments described in Note 3 that were applied to restate net assets as of January 1, 2017. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements of Care for the Homeless and Affiliates as of and for the year ended December 31, 2016 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements as of and for the year ended December 31, 2016 as a whole.

Mitchell & Titus, LLP

December 21, 2018

CARE FOR THE HOMELESS AND AFFILIATES
Consolidated Statement of Financial Position
Year Ended December 31, 2017

	Care for the Homeless	Jerome, Inc.	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 310,698	$ 11,616	$ 322,314
Investments	2,196,630	-	2,196,630
Government grants and contracts receivable	690,797	3,171,634	3,862,431
Accounts receivable - patients (net of allowance for doubtful accounts of $737,502 and contractual allowances of $4,561,301)	954,142	-	954,142
Prepaid expenses and deposits	81,865	16,017	97,882
Total current assets	4,234,132	3,199,267	7,433,399
Cash - escrow deposits	-	102,548	102,548
Property and equipment, net	898,850	6,136,190	7,035,040
Due from (to) affiliates	1,992,038	(1,992,038)	-
Total assets	$ 7,125,020	$ 7,445,967	$ 14,570,987
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued expenses	$ 1,619,607	$ 512,290	$ 2,131,897
Refundable advances from grantors	-	1,883,763	1,883,763
Due to funders	121,245	-	121,245
Loan payable	5,247	447,211	452,458
Total current liabilities	1,746,099	2,843,264	4,589,363
Deferred rent	78,664	1,308,027	1,386,691
Loan payable	7,398	6,813,405	6,820,803
Total liabilities	1,832,161	10,964,696	12,796,857
Net assets (net asset deficiency)			
Unrestricted	4,812,283	(3,518,729)	1,293,554
Temporarily restricted	480,576	-	480,576
Total net assets (net assets deficiency)	5,292,859	(3,518,729)	1,774,130
Total liabilities and net assets (net assets deficiency)	$ 7,125,020	$ 7,445,967	$ 14,570,987

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

CARE FOR THE HOMELESS AND AFFILIATES

Consolidated Statement of Activities
Year Ended December 31, 2017

		Unrestricted Care for the Homeless	Unrestricted Jerome, Inc.	Unrestricted Total	Temporarily Restricted	Eliminations	Total
Operating revenues							
Net patient services revenues							
(net of contractual allowances and discounts) (Note 2)		$ 3,312,649	$ 150,000	$ 3,462,649	$ -	$ -	$ 3,462,649
Public Health Services Section 330(h) - contract		6,545,769	-	6,545,769	-	-	6,545,769
NYC Department of Homeless Services - contract		-	8,025,917	8,025,917	-	-	8,025,917
Government grants and contracts		1,222,840	-	1,222,840	-	-	1,222,840
Other income		76,219	-	76,219	-	-	76,219
Management fees		383,452	-	383,452	-	(383,452)	-
Interest and dividends		71,388	-	71,388	-	-	71,388
Total operating revenues		11,612,317	8,175,917	19,788,234	-	(383,452)	19,404,782
Operating expenses							
Program services							
Medical clinics		9,756,400	-	9,756,400	-	-	9,756,400
Residential services at Susan's Place		-	7,593,538	7,593,538	-	(383,452)	7,210,086
Total program services		9,756,400	7,593,538	17,349,938	-	(383,452)	16,966,486
Supporting services							
Management and general		3,362,311	-	3,362,311	-	-	3,362,311
Fundraising and development		365,445	-	365,445	-	-	365,445
Total supporting services		3,727,756	-	3,727,756	-	-	3,727,756
Total operating expenses		13,484,156	7,593,538	21,077,694	-	(383,452)	20,694,242
Change in net assets from operations		(1,871,839)	582,379	(1,289,460)	-	-	(1,289,460)
Nonoperating revenues and expenses							
Unrealized gain on investments, net		89,193	133	89,326	-	-	89,326
Contributions		157,071	100	157,171	117,600	-	274,771
Special event	$ 55,612						
Direct cost of special event	(3,146)						
Net revenue from special events		52,466	-	52,466	-	-	52,466
Net assets released from restrictions (Note 8)		225,485	10,185	235,670	(235,670)	-	-
Depreciation and amortization		(85,423)	(611,646)	(697,069)	-	-	(697,069)
Total nonoperating revenues and expenses		438,792	(601,228)	(162,436)	(118,070)	-	(280,506)
Change in net assets		(1,433,047)	(18,849)	(1,451,896)	(118,070)	-	(1,569,966)
Net assets (net asset deficiency) - beginning of year, as restated (Note 3)		6,245,330	(3,499,880)	2,745,450	598,646	-	3,344,096
Net assets (net asset deficiency) - end of year		$ 4,812,283	$ (3,518,729)	$ 1,293,554	$ 480,576	$ -	$ 1,774,130

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

CARE FOR THE HOMELESS AND AFFILIATES
Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services			Supporting Services		Total
	Medical Clinics	Residential Services at Susan's Place	Total	Management and General	Fundraising and Development	2017
Salaries	$ 4,482,551	$ 1,793,394	$ 6,275,945	$ 1,763,139	$ 194,211	$ 8,233,295
Payroll taxes and employee benefits	952,220	498,470	1,450,690	374,666	41,270	1,866,626
Total salaries and related expenses	5,434,771	2,291,864	7,726,635	2,137,805	235,481	10,099,921
Program supplies	770,889	142,268	913,157	804	5,328	919,289
Medical provider expenses	1,082,768	-	1,082,768	-	-	1,082,768
Consulting and professional services	1,224,541	2,053,682	3,278,223	419,691	65,928	3,763,842
Occupancy	173,815	1,312,355	1,486,170	145,032	22,019	1,653,221
Maintenance and repairs	84,208	82,204	166,412	25,529	-	191,941
Publication and printing	50,829	-	50,829	5,353	5,845	62,027
Office expenses	147,780	16,922	164,702	24,333	4,614	193,649
Insurance	36,387	125,613	162,000	63,777	3,466	229,243
Telephone	314,153	52,803	366,956	84,886	8,139	459,981
Postage and delivery	6,161	891	7,052	2,906	623	10,581
Travel expenses	133,795	89,055	222,850	19,989	245	243,084
Equipment	182,613	25,508	208,121	90,597	10,788	309,506
Membership and dues	9,567	-	9,567	25,634	-	35,201
Meetings and conference	48,974	6,392	55,366	129,971	(84)	185,253
Advertising	25,000	-	25,000	100,442	-	125,442
Food	26,114	402,041	428,155	28,308	3,012	459,475
Bad debts	-	-	-	80,035	-	80,035
Interest	-	605,686	605,686	-	-	605,686
Miscellaneous	4,035	2,802	6,837	(22,781)	41	(15,903)
Total operating expenses before depreciation and amortization	9,756,400	7,210,086	16,966,486	3,362,311	365,445	20,694,242
Depreciation and amortization	-	611,646	611,646	85,423	-	697,069
Total expenses by function	$ 9,756,400	$ 7,821,732	$ 17,578,132	$ 3,447,734	$ 365,445	$ 21,391,311

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

CARE FOR THE HOMELESS AND AFFILIATES
Consolidated Statement of Cash Flows
Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (1,569,966)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Bad debt expense	80,035
Depreciation and amortization	697,069
Unrealized gain on investments, net	(89,326)
Decrease (increase) in assets	
Government grants and contracts receivable	1,187,719
Pledges and contributions receivable	79,966
Accounts receivable - patients	(652,663)
Prepaid expenses and deposits	233,458
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	458,673
Refundable advances from grantors	8,995
Deferred revenues	(20,000)
Due to third-party payors and other contingencies	(194,892)
Deferred rent	(25,355)
Net cash provided by operating activities	193,713
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in cash - escrow deposits	(10,133)
Purchase of investments	(64,418)
Fixed asset acquisitions	(247,555)
Net cash used in investing activities	(322,106)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayments of loan	(399,925)
Net cash used in financing activities	(399,925)
Net decrease in cash and cash equivalents	(528,318)
Cash and cash equivalents - beginning of year	850,632
Cash and cash equivalents - end of year	$ 322,314
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	$ 605,686

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

NOTE 1 NATURE OF ORGANIZATION

Care for the Homeless (CFH) provides, coordinates and arranges for primary care, health education, HIV counseling and testing, early intervention services for those affected with HIV/AIDS, social services and behavioral health services to homeless people at more than 35 homeless clinics, shelters, soup kitchens and drop-in centers. Care for the Homeless is licensed by the New York State Department of Health under Article 28 of the Public Health Law to operate clinics as diagnostic and treatment centers, which are designated as federally qualified health centers. Care for the Homeless outreach team members also address long-range needs of homeless people by improving their access to services and public benefits and helping them develop life skills, while advocating for appropriate public policies.

CFH's affiliate, Jerome Avenue Care for the Homeless Housing Development Fund Corporation (Jerome), operates Susan's Place, a 200-bed transitional residential shelter. Jerome has an unrestricted net asset deficiency of $3,518,729 at December 31, 2017. CFH has advanced funds to Jerome to help Jerome meet operating needs. CFH will continue to lend funds to Jerome as necessary for operating needs. Based on this funding, as well as Jerome’s projected revenues and expenses, Jerome believes it will continue to meet its obligations through 2019.

In 2017, CFH provided services to more than 7,400 homeless men, women and children.

The consolidated financial statements include the activities and net assets of Care for the Homeless and Jerome, whose sole member is CFH Jerome, Inc. (a dormant organization), whose sole member is, in turn, CFH.

Care for the Homeless and Jerome are not-for-profit corporations, which are tax-exempt organizations pursuant to Section 501(c)(3) of the Internal Revenue Code. The organizations are also exempt from state and local taxes. As of March 2017, the Better Business Bureau has extended CFH's designation as an accredited charity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Accounting</u>

The consolidated financial statements are prepared on the accrual basis of accounting.

<u>Basis of Consolidation</u>

All material intercompany balances and activities have been eliminated in the consolidation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with maturities, when acquired, of three months or less.

Cash - Escrow Deposits

Cash in escrow deposits represents cash being held in a maintenance fund, which is required by the Low-Income Investment Fund (Note 8).

Investments

Investments are recorded at fair value. CFH invests in various investment securities. These securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risks associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based upon the markets' fluctuations, and that such changes could materially affect CFH's consolidated financial statements.

Pledges and Contributions Receivable and Allowance for Doubtful Accounts

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until conditions are substantially met. Bad debt is charged if the receivable is determined to be uncollectible based on a periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government Grants and Contracts Revenue, Receivable and Allowance for Doubtful Accounts

Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, Care for the Homeless and Affiliates record refundable advances from grantors. Care for the Homeless and Affiliates have determined that an allowance for uncollectible accounts for government grants and contracts receivable is not necessary as of December 31, 2017. Such estimate is based on the age of its receivables, subsequent collections, as well as current economic conditions and historical information. Interest income is not accrued or recorded on outstanding receivables.

Accounts Receivable and Allowance for Doubtful Accounts

Care for the Homeless and Affiliates record receivables based on established rates or contracts for services provided. Bad debt expense is charged if the receivable is determined to be uncollectible based on a periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. Interest income is not accrued or recorded on accounts receivable.

Fixed Assets

Fixed assets are stated at cost. Acquisitions and leasehold improvements with a cost over $1,000 and a useful life of greater than one year are capitalized. Depreciation is computed on the straight-line basis over the estimated useful life of each asset. Amortization of leasehold improvements is computed over the lesser of their estimated useful lives or the term of the lease. The estimated useful lives of the assets are as follows:

Leasehold improvements	10-21 years
Furniture and equipment	5 years

Due to Funders

Estimated amount due to funders, when applicable, represent retroactive rate or other adjustments due to the funders or amounts to be returned due to cancellation of grants.

Deferred Revenues

Event income is recognized at the net realizable amount when earned. The portion of event charges collected in the current fiscal year pertaining to events that will take place in the next fiscal year is reflected as deferred revenue. Deferred revenue is generally earned within one year. There is no deferred revenue at December 31, 2017.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Unrestricted Net Assets

Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors.

Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to donor-imposed purpose or time restrictions.

Patient Service Revenues

Patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Laws and regulations governing health care 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. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from Medicaid and Medicare programs.

Charity Care

CFH uses the estimated cost as the measurement basis for the disclosure of charity care provided. CFH provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because CFH does not pursue a collection of amounts determined to qualify as charity care, they are not reported as revenue (see Note 12).

Contributions

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

In-kind Contributions

Donated services are recognized as revenue and expense in the consolidated financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and those skills would typically need to be purchased if they had not been donated. There were no donated services reported as revenue and expense for the year ended December 31, 2017.

Functional Allocation of Expenses

The costs of providing the organization's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value Measurements

ASC 820 establishes a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3) when market prices are not readily available or reliable. The three levels of the fair value hierarchy under ASC 820 are described as:

Level 1: Unadjusted quoted prices in active markets that are accessible to the reporting entity at the measurement date for identical assets and liabilities.

Level 2: Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets and liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active
- Observable inputs other than quoted prices that are used in the valuation of the asset or liabilities (e.g., interest rate and yield curve quotes at commonly quoted intervals)
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3: Unobservable inputs for the asset or liability (i.e., supported by little or no market activity). Level 3 inputs include management’s own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair Value Measurements

A financial instrument's categorization within the valuation hierarchy is based on the lowest level of the input significant to the fair value measurement. In determining fair value, CFH uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, and also considers non-performance risk.

Changes in valuation techniques may result in transfers in or out of an investment's assigned level within the hierarchy.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended December 31, 2017.

Mutual funds - Valued at the quoted net asset value (NAV) of shares held at year end.

Corporate bonds and U.S. government bonds – Valued primarily using pricing models maximizing the use of observable inputs for similar securities. This includes basing values on yields currently available on comparable securities of issuers with similar credit ratings.

Equities - Valued at the closing price reported on the active market on which individual securities are traded.

The methods described above may produce a fair value calculation that may not indicate net realizable value or reflect future fair values. Furthermore, while Care for the Homeless and Affiliates believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Rent Expense

CFH leases space in various locations. All leases are operating leases and are recorded in accordance with generally accepted accounting principles. Rent expense is recorded on the straight-line basis. Deferred rent, when material, is recorded for the difference between straight-line basis rent and rent paid.

Advertising

It is the policy of CFH to expense advertising costs as incurred.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measure of Operations

CFH excludes net realized and unrealized gain (loss) on investments, contributions, special events revenue (net of direct costs) and depreciation and amortization from its measure of operations.

Uncertainty in Income Taxes

CFH has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Periods ending December 31, 2014 and subsequent remain subject to examination by applicable taxing authorities.

Accounting Pronouncements Yet to be Adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. The ASU requires an amended presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources and changes in those resources. The amendments are effective for CFH's fiscal year ending December 31, 2018, with early adoption permitted. This ASU will impact the presentation of the consolidated financial statements and related disclosures when it is adopted.

The FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The ASU requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end-of-period total amounts shown on the statement of cash flows. The ASU also requires entities to disclose information about the nature of restrictions on its cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The amendments are effective for CFH's fiscal year ending December 31, 2019, with early adoption permitted. This ASU will impact the presentation of the consolidated statement of cash flows when it is adopted.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accounting Pronouncements Yet to be Adopted *(continued)*

The FASB also issued ASU 2016-02, *Leases (Topic 842)*, which requires recognition of (a) a lease asset (right of use) and lease liability, initially measured at the present value of the least payments, in the statement of financial position and (b) a single lease cost, calculated so that the cost of the lease is allocated over the lease term generally on a straight-line basis. All cash payments are to be classified within operating activities in the statement of cash flows. The amendments are effective for CFH's fiscal year ending December 31, 2020, with early adoption permitted. This ASU will impact the accounting for lease arrangements when it is adopted.

The FASB also issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires additional disclosures pertaining to qualitative and quantitative disaggregation of revenue into categories that explain how revenue and cash flows are impacted by economic factors, information about contract balances and discussion of remaining performance obligations. The scope of this ASU excludes contributions and collaborative arrangements since they are not viewed to be contracts with customers. The key principle of the guidance is to recognize revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments are effective for CFH's fiscal year ending December 31, 2019, with early adoption permitted. This ASU is relevant the accounting for CFH's revenue other than contributions and investment income when it is adopted.

The FASB also issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides a more robust framework for determining whether a transaction should be accounted for as a contribution or exchange transaction. Organizations would have to evaluate whether the resource provider is receiving value in return for the resources transferred. If the resource provider is not itself receiving commensurate value for the resources provided, the organization would have to determine whether a transfer of assets represents a payment from a third-party payer on behalf of an existing exchange transaction between the recipient and an identified customer. In such circumstances, other guidance, such as the revenue recognition standard (Accounting Standards Codification 606) would apply. The amendments are effective for Care for the Homeless and Affiliates' fiscal year ending December 31, 2019, with early adoption permitted.

Subsequent Events

Subsequent events have been evaluated through December 21, 2018, which is the date the consolidated financial statements were available to be issued.

NOTE 3 RESTATEMENTS

Net assets at January 1, 2017 have been decreased, reflecting the net impact of adjustments to correct errors made in prior years. All of the adjustments relate to Jerome. The adjustments are as follows:

- An adjustment was made to correct a past error made in the calculation of Jerome's deferred rent balance. The impact is to decrease net assets at January 1, 2017 by $597,463.
- In a prior year, Jerome had not recorded losses on property related to flood damages and instead recorded the full amount of insurance proceeds received in revenues. The impact of the adjustment is to decrease net assets at January 1, 2017 by $510,884.
- A grant and contract receivable due to Jerome at December 31, 2016 had not been recorded in error. The impact of the adjustment is to increase net assets at January 1, 2017 by $512,923.
- A grant and contract payable of $26,757 was recorded at December 31, 2016 in error. The impact of the adjustment to reverse this payable is to increase net assets at January 1, 2017 by $26,757.

The impact of the restatement adjustments on consolidated net assets at January 1, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Total
Net assets, at January 1, 2017, as previously reported	$ 3,314,117	$ 598,646	$ 3,912,763
Adjustments			
To correct deferred rent	(597,463)	-	(597,463)
To record loss on property incurred in a prior year due to flood	(510,884)	-	(510,884)
To record a grant and contract receivable	512,923	-	512,923
To correct an error made in accounts payable and accrued expenses	26,757	-	26,757
Net assets, at January 1, 2017, as restated	$ 2,745,450	$ 598,646	$ 3,344,096

The above restatements result in an increase in the change in net assets for the year ended December 31, 2016 of approximately $446,000 and a decrease in total consolidated net assets as of January 1, 2016 of approximately $1,015,000.

NOTE 4 PROPERTY AND EQUIPMENT, NET

Property and equipment, net is comprised of the following at December 31, 2017:

Furniture and equipment	$ 2,430,771
Vehicles	208,028
Leasehold improvements	11,247,050
Construction in progress	653,081
	14,538,930
Less: Accumulated depreciation and amortization	(7,508,890)
	$ 7,035,040

NOTE 5 INVESTMENTS

The following table presents the asset balances measured at fair value by fair value hierarchy level as of December 31, 2017:

	Level 1	Level 2	Total
Mutual funds - large cap	$ 323,673	$ -	$ 323,673
U.S. government bonds	-	352,646	352,646
Corporate bonds	-	175,664	175,664
U.S. common stock	814,542	-	814,542
Cash and cash equivalents	530,105	-	530,105
Total investments	$ 1,668,320	$ 528,310	$ 2,196,630

Investment fees are netted against net realized and unrealized gains on investments in the accompanying consolidated statement of activities for the year ended December 31, 2017. Investment fees were approximately $17,000 for the year ended December 31, 2017.

NOTE 6 DUE TO FUNDERS AND OTHER CONTINGENCIES

CFH is responsible for reporting to and is regulated by various third parties, among which are the Centers for Medicare and Medicaid Services (CMS) and the New York State Department of Health (DOH). These agencies, as well as the New York State Office of Attorney General's Medicaid Fraud Control Unit (MFCU), the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the Office of Inspector General (OIG), and other agencies have the right to audit CFH. These agencies have the right to audit fiscal, as well as programmatic compliance, *i.e.*, clinical documentation, among other compliance requirements.

NOTE 6 DUE TO FUNDERS AND OTHER CONTINGENCIES *(continued)*

CFH is licensed by the DOH to operate an Article 28 Diagnostic and Treatment Center and has been designated as a Federally Qualified Health Center (FQHC). As an FQHC, CFH is reimbursed by DOH a Medicaid fee-for-service rate as well as a supplemental payment rate known as a "wrap" payment.

The current Medicaid program is based upon extremely complex laws and regulations that are subject to interpretation. As a result, there is a possibility that recorded estimates may change.

During 2015, CFH management undertook a review of Medicaid billing practices, specifically related to the managed care supplemental rate payment program. As a result of this review, potential overpayments of $342,894 were identified. Management has completed and filed with the New York State Office of Medicaid Inspector General a "self-disclosure" filing. The funds were recouped during the year ended December 31, 2017.

NOTE 7 OPERATING LEASES

In 2011, CFH entered into a 10-year operating lease agreement with 30 East 33rd St. Realty LLC, which expires on December 31, 2020. CFH also rents space for one of its clinics on a month-to-month basis. Rent expense for 2017 was $243,021.

Future minimum lease obligations as of December 31, 2017 are as follows:

30 East 33rd Street	Amount
2018	$ 273,387
2019	278,855
2020	284,432
	$ 836,674

As of March 1, 2005, Jerome began leasing space under an operating lease agreement, which expires in February 2027. Rent expense for 2017 was $764,528.

NOTE 7 OPERATING LEASES *(continued)*

The 1911-21 Jerome Avenue lease is noncancelable, unless the landlord plans to sell the premises and the tenant is given the first right of refusal (Article 29 of the lease agreement). There are no other cancellation clauses in the lease. Future minimum lease obligations as of December 31, 2017 are as follows:

1911-21 Jerome Avenue	Amount
2018	$ 786,811
2019	810,415
2020	834,728
2021	859,770
2022	885,563
Thereafter	3,986,261
	$ 8,163,548

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 are available for:

Healthcare	$ 80,464
Outreach and enrollment	599
Medical and other equipment	86,504
Mental health supportive housing	50,000
Client supplies	15,185
Dental care	2,024
Primary care utilization	218,711
Medical respite	19,583
Mobile van	7,506
	$ 480,576

During 2017, temporarily restricted net assets were released from restrictions by incurring expenses satisfying the following restricted purposes:

Equipment	$ 12,541
Client supplies	9,175
Volunteers	9,831
Primary care utilization	6,289
Medical respite	130,417
Mobile van	67,417
	$ 235,670

NOTE 9 LOAN PAYABLE

In 2007, Jerome Avenue CFH HDFC borrowed $10,077,137 from the Low-Income Investment Fund (LIIF) to finance the construction of Susan's Place. The loan is being paid by New York City Department of Homeless Services directly to LIIF as part of the debt service component of the reimbursement for the operations of Susan's Place. As of December 31, 2017, there was $7,260,616 outstanding. The interest rate is fixed at 8.09% and interest expense was $605,686 for the year ended December 31, 2017. The loan matures on August 1, 2028 and the improvements, which are carried as leasehold improvements, are collateral for the LIIF loan. As part of the loan, Jerome is required to contribute $10,000 annually into a maintenance fund. These funds can be used as needed for capital expenditures.

Future principal payments at December 31, 2017 are as follows:

2018	$ 447,211
2019	484,763
2020	525,467
2021	569,590
2022	617,417
Thereafter	4,616,168
	$ 7,260,616

NOTE 10 LINE OF CREDIT

CFH has a $750,000 line of credit with a bank through September 2019. Borrowings bear interest based on the Adjusted LIBOR Rate plus 3.0%. There were no borrowings outstanding under the line of credit at December 31, 2017.

NOTE 11 CONCENTRATIONS

The PHS Section 330(h) and New York City Department of Homeless Services grants represent approximately 76% of total consolidated operating revenues in the accompanying consolidated statement of activities for the year ended December 31, 2017.

NOTE 12 PENSION

CFH sponsors a defined contribution pension plan for all eligible employees who have completed one year of service. CFH contributed $106,122 to the pension plan in 2017.

NOTE 13 CHARITY CARE

The total cost of charity care provided was approximately $235,000 for the year ended December 31, 2017. The cost of charity care is estimated by management based on the ratio of cost to gross charged multiplied by the gross uncompensated charges associated with providing care to charity patients.