

Venture House, Inc.

Financial Statements

June 30, 2023 and 2022

(With Independent Auditor's Report Thereon)



*Navigating the Road
to
Financial Security*

Venture House, Inc.

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DeSantis
Kiefer
Shall &
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Independent Auditor's Report

Board of Directors
Venture House, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Venture House, Inc. which comprise the statements of financial position as of June 30, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of Venture House, Inc. as of June 30, 2023 and 2022 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Venture House, Inc. 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 Venture House, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

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Venture House, Inc.

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 GAAS 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 GAAS, 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 Venture House, Inc.'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 Venture House, Inc.'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.

DeSantis, Kiefer, Shall & Sarcone, LLP

Staten Island, New York

November 29, 2023

Venture House, Inc.

Statements of Financial Position June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 1,536,182	\$ 798,192
Grants Receivable, Net	1,622,404	1,827,257
Other Receivables	29,343	
Due from Affiliate	143,184	119,336
Prepaid Expenses	16,958	41,434
Security Deposit	4,500	4,500
Fixed Assets, Net of Accumulated Depreciation	530,210	492,201
Right of Use Asset - Operating Lease	403,071	
Other Assets	9,215	
	<hr/>	<hr/>
Total Assets	<u>\$ 4,295,067</u>	<u>\$ 3,282,920</u>
 <u>Liabilities and Net Assets</u>		
<u>Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 458,892	\$ 356,550
Deferred Revenue	814,191	498,275
Lease Liability- Operating Lease	408,035	
	<hr/>	<hr/>
Total Liabilities	<u>1,681,118</u>	<u>854,825</u>
 <u>Net Assets:</u>		
Without Donor Restrictions		
Undesignated	2,095,653	2,202,435
Board Designated	458,296	175,660
With Donor Restrictions	60,000	50,000
	<hr/>	<hr/>
Total Net Assets	<u>2,613,949</u>	<u>2,428,095</u>
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 4,295,067</u>	<u>\$ 3,282,920</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

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Venture House, Inc.

Statements of Activities for the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Net Assets Without Donor Restrictions</u>		
Support and Revenue:		
Support		
Government Grants	\$ 5,468,047	\$ 3,914,425
Member Rent	256,165	225,717
Other Grant Income - PPP Loan		271,655
Food Sales to Members	17,910	7,058
Contributions	185,771	7,836
Total Support	<u>5,927,893</u>	<u>4,426,691</u>
Revenue		
Fundraising	34,004	78,905
Interest Income	180	1,709
Other Income	70,742	37,744
Net Assets Released from Restriction	50,000	
Total Revenue	<u>154,926</u>	<u>118,358</u>
Total Support and Revenue	<u>6,082,819</u>	<u>4,545,049</u>
Expenses:		
Program Services	5,150,290	3,759,575
General and Administration	756,675	604,269
Total Expenses	<u>5,906,965</u>	<u>4,363,844</u>
Increase in Net Assets Without Donor Restrictions	175,854	181,205
<u>Net Assets With Donor Restrictions</u>		
Contributions	60,000	50,000
Net Assets Released from Restriction	(50,000)	
Increase in Net Assets With Donor Restrictions	<u>10,000</u>	<u>50,000</u>
Increase in Net Assets	185,854	231,205
Total Net Assets, Beginning of Year	<u>2,428,095</u>	<u>2,196,890</u>
Total Net Assets, End of Year	<u>\$ 2,613,949</u>	<u>\$ 2,428,095</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

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Venture House, Inc.

Statements of Cash Flows for the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Increase in Net Assets	<u>\$ 185,854</u>	<u>\$ 231,205</u>
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	60,233	45,794
Reduction in the Carrying Amount of Right of Use Asset	129,824	
(Increase) Decrease in Operating Assets:		
Grants Receivable	204,853	(389,714)
Other Receivables	(29,343)	
Due from Affiliate	(23,848)	(15,149)
Prepaid Expenses	24,476	25,135
Other Assets	(9,215)	2,120
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	102,342	(78,533)
Deferred Revenue	315,916	62,659
Refundable Advance - PPP Loan		(271,655)
Lease Liabilities - Operating Lease	<u>(124,860)</u>	
Total Adjustments	<u>650,378</u>	<u>(619,343)</u>
Net Cash Provided by (Used In) Operating Activities	<u>836,232</u>	<u>(388,138)</u>
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	<u>(98,242)</u>	<u>(600)</u>
Net Cash Used In Investing Activities	<u>(98,242)</u>	<u>(600)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	737,990	(388,738)
Cash and Cash Equivalents, Beginning of Year	<u>798,192</u>	<u>1,186,930</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,536,182</u>	<u>\$ 798,192</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid for Interest	<u>\$ 0</u>	<u>\$ 0</u>
Cash Paid for Taxes	<u>\$ 0</u>	<u>\$ 0</u>

Venture House, Inc.

Statement of Functional Expenses for the Year Ended June 30, 2023

	Program Services						Total Program Expenses	General and Administration	Total
	Supported Employment	Psychosocial Club- Queens	Psychosocial Club - Staten Island	Supported Housing Adult	Supported Housing Young Adult	Vocational and Education			
Personal Services	\$ 36,151	\$ 587,702	\$ 585,129	\$ 311,330	\$ 130,335	\$ 8,279	\$1,658,926	\$ 503,195	\$2,162,121
Fringe Benefits	5,627	178,290	179,779	102,179	46,509	1,697	514,081	68,840	582,921
Food	1,592	76,241	62,063	13,587	1,600	926	156,009	2,030	158,039
Repairs and Maintenance	7,744	77,023	58,073	49,153	26,527	2,599	221,119	5,256	226,375
Utilities	2,400	21,094	26,190	19,551	7,228	631	77,094		77,094
Equipment	5,339	71,877	44,313	38,219	19,859	3,050	182,657	5,954	188,611
Members' Social Expenses		20,096	14,280	11,667	5,032		51,075	6,525	57,600
Travel	310	4,190	6,023	2,394	1,905	163	14,985	19,944	34,929
Supplies	2,057	23,051	25,345	13,393	13,253	653	77,752	4,036	81,788
Communication	1,179	9,317	8,333	6,446	1,002	294	26,571		26,571
Insurance	1,486	17,026	14,775	9,543	3,344	733	46,907	266	47,173
Professional Fees	481	5,292	4,843	2,430	3,640	298	16,984	3,601	20,585
Bank Charges	30	449	159	644	1	16	1,299	546	1,845
Payroll Service Fees	387	5,550	5,110	2,761	110	143	14,061		14,061
Dues and Subscriptions	347	8,229	7,122	9,141		144	24,983	635	25,618
Service Contracts	4,841	50,571	45,725	28,538	4,901	1,765	136,341	6,634	142,975
Advertising	424	6,099	9,161	3,351	11	197	19,243	2,641	21,884
Other Expenses	104	973	1,542	490		26	3,135	32,900	36,035
Postage and Printing	277	3,044	2,468	2,166		113	8,068	65	8,133
Meeting and Conference	1,133	29,825	23,296	8,403	5,655	449	68,761	7,958	76,719
Occupancy	2,154	25,375	1,500	17,604		592	47,225	8,262	55,487
Operating Lease Expense			129,824				129,824		129,824
Depreciation								60,233	60,233
Bad Debt								17,154	17,154
Rent Subsidy				1,474,751	178,439		1,653,190		1,653,190
Total Expenses	\$ 74,063	\$ 1,221,314	\$ 1,255,053	\$ 2,127,741	\$ 449,351	\$ 22,768	\$ 5,150,290	\$ 756,675	\$ 5,906,965

The Accompanying Notes are an Integral Part of these Statements.

Venture House, Inc.

Statement of Functional Expenses for the Year Ended June 30, 2022

	Program Services					Total Program Expenses	General and Administration	Total
	Supported Employment	Psychosocial Club- Queens	Psychosocial Club - Staten Island	Supported Housing	Vocational and Education			
Personal Services	\$ 40,415	\$ 457,603	\$ 476,020	\$ 289,438	\$ 9,836	\$1,273,312	\$ 376,600	\$1,649,912
Fringe Benefits	11,538	169,770	152,212	91,891	5,247	430,658	55,929	486,587
Food	2,404	48,447	34,910	19,332	1,034	106,127	2,232	108,359
Repairs and Maintenance	1,600	21,674	36,220	17,427	585	77,506	1,556	79,062
Utilities	2,223	31,168	20,874	16,716	868	71,849	1,598	73,447
Equipment	504	7,195	7,732	3,835	208	19,474		19,474
Members' Social Expenses	583	8,242	6,774	4,756	258	20,613	6,524	27,137
Travel	148	2,359	9,500	1,174	66	13,247	13,802	27,049
Program Supplies	1,551	22,068	22,448	12,687	658	59,412	8,177	67,589
Communication	815	11,376	10,128	6,286	307	28,912	10	28,922
Insurance	828	13,161	11,981	6,925	393	33,288	9,289	42,577
Professional Fees	1,324	18,108	17,281	9,437	478	46,628	36,943	83,571
Bank Charges	266	4,437	3,996	2,889	228	11,816	1,026	12,842
Payroll Service Fees	358	5,286	4,623	3,610	136	14,013		14,013
Dues and Subscriptions	482	11,611	6,831	7,000	203	26,127	3,691	29,818
Service Contracts	2,863	39,777	34,252	21,578	1,989	100,459	7,801	108,260
Advertising	652	11,451	11,223	7,141	549	31,016	25	31,041
Other Expenses	23	166	26	210	7	432	20,083	20,515
Postage and Printing	283	4,342	456	2,109	111	7,301		7,301
Meeting and Conference	201	11,430	6,240	1,936	127	19,934	4,400	24,334
Occupancy	2,000	22,500	86,478	17,000	500	128,478	8,738	137,216
Depreciation							45,794	45,794
Rent Subsidy				1,238,973		1,238,973	51	1,239,024
Total Expenses	\$ 71,061	\$ 922,171	\$ 960,205	\$ 1,782,350	\$ 23,788	\$ 3,759,575	\$ 604,269	\$ 4,363,844

Venture House, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

1. Nature of Activities

Venture House, Inc. (the “Organization”) was founded in 1988 as a not-for-profit organization incorporated under the not-for-profit laws of New York State. Venture House, Inc. is primarily engaged in assisting psychiatrically disabled persons by providing and maintaining a clubhouse as a meeting place and by preparing them to become self-supporting.

2. Summary of Significant Accounting Policies

Reclassification

Certain reclassifications were made to the prior year’s financial information in order to conform to the current year’s presentation. Net assets were unchanged due to these reclassifications.

Method of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Venture House, Inc.

Notes to Financial Statements June 30, 2023 and 2022

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition – Government Grants

Disbursements against state and local government revenues are subject to audit by state and local funding agencies. The acceptability of these payments is subject to final determination by the respective funding source. An allowance for doubtful accounts has not been provided for grants receivable as the Organization anticipates receiving full reimbursement from government funding agencies.

Amounts due from government agencies are costs incurred and consist of unreimbursed expenses of the current year. Similarly, amounts due to government agencies represent the excess of advances received over expenses incurred. The acceptability of these amounts, as well as other expenses of the program, is subject to final determination by the governmental funding source

Grants Receivable and Allowance for Doubtful Accounts

The Organization maintains an allowance for doubtful claims for estimated probable losses on uncollected fee related claims receivable. Uncollectable amounts, corresponding to the allowance, are charged against the allowance account upon identification; others are charged directly to operations as they are identified. The allowance for doubtful accounts totaled \$3,207 and \$27,159 at June 30, 2023 and 2022, respectively.

Contributions

The Organization follows the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic that addresses accounting for contributions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are 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.

Venture House, Inc.

Notes to Financial Statements June 30, 2023 and 2022

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less and all restricted cash to be cash equivalents.

Fixed Assets, Property and Equipment

Property and equipment are recorded at cost or at estimated fair value at the date of the gift, if donated. Depreciation is provided over the estimated useful life on a straight-line basis.

Refundable Advance – PPP Loan

The Organization received a Paycheck Protection Program (PPP) loan from the Small Business Administration (SBA) totaling \$271,655 as of and for the year ended June 30, 2020 and elected to account for these funds as a conditional contribution from a government agency. These funds were recognized as a refundable advance until all conditions of the PPP loan were met. The Organization received forgiveness of the loan in November 2021 and recognized the full amount as other grant income for the year ended June 30, 2022.

Deferred Revenue

Deferred revenue is recorded for advances received from state agencies that are to be applied to the next year's contract.

Compensated Absences

The Organization is obligated to pay for unused paid time off that has been earned through the last day of work at the current salary level upon termination of employee. Accrued compensated absences totaled \$72,161 and \$48,502 for the years ended June 30, 2023 and 2022, respectively.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expenses were \$21,884 and \$31,041 for the years ended June 30, 2023 and 2022, respectively.

Venture House, Inc.

Notes to Financial Statements June 30, 2023 and 2022

Income Taxes

The Organization is exempt from income taxes as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes and comparable law. The Organization represents that, to the best of its knowledge and belief, the tax-exempt status is still in effect as of June 30, 2023.

The Organization is subject to the provisions of the FASB ASC Topic 740, *Income taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because of the Organization's general tax-exempt status, ASC Topic 740 has not had, and is not expected to have, a material impact on its financial statements.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Expenses that are allocated are based upon allowable budgeted amounts with grantor agencies, as well as estimates of time and effort spent on programs and supporting services.

Venture House, Inc.

Notes to Financial Statements June 30, 2023 and 2022

Recently adopted accounting standards

In fiscal year 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the prior period (fiscal year 2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized a right-of-use asset and lease liabilities totaling \$519,695 in its statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

3. Liquidity and Availability

Financial assets available for general expenditures, that is without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash and Cash Equivalents	\$1,536,182	\$798,192
Grants Receivable, Net	1,622,404	1,827,257
Other Receivables	<u>29,343</u>	<u> </u>
Total Financial Assets	\$3,187,929	\$2,625,449
Less: Board Designated Funds	<u>(458,296)</u>	<u>(175,660)</u>
Amount available for general Expenditures within one year	<u>\$2,729,633</u>	<u>\$2,449,789</u>

The Organization regularly monitors the availability of resources required to meet its operation needs and other contractual commitments, while also striving to maximize the investment of its available funds. For the purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing mental health clubhouses, housing assistance, employment and education programs, 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 revenue to cover general expenditures not covered by donor-restricted resources.

Venture House, Inc.

Notes to Financial Statements June 30, 2023 and 2022

The Organization's governing board has designated a portion of its unrestricted resources as an operating reserve. The purpose of this reserve is to provide cash in emergency situations in order to sustain financial operations in the unanticipated event of significant unbudgeted increases in operating expenses or loss of revenue. Those amounts are identified as board designated funds in the table above. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.

4. Grants Receivable

Grants receivable from government agencies consisted of funds due from funding sources at June 30, 2023 and 2022, as follows:

	<u>2023</u>	<u>2022</u>
New York City Department of Health and Mental Hygiene Psychosocial Club	\$1,596,674	\$1,777,358
New York State Office of Mental Health Housing Contract	25,730	42,884
New York City Department of Health and Mental Hygiene Pandemic Support Grant	<u> </u>	<u>7,015</u>
Total Grants Receivable	<u>\$1,622,404</u>	<u>\$1,827,257</u>

5. Prepaid Expenses

Prepaid expenses consisted of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Prepaid Insurance	\$16,361	\$32,976
Other Prepaid Expenses	<u>597</u>	<u>8,458</u>
Total Prepaid Expenses	<u>\$16,958</u>	<u>\$41,434</u>

Venture House, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

6. Fixed Assets, Property and Equipment

Property and equipment as of June 30, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 485,893	\$ 427,001
Leasehold Improvements	<u>655,358</u>	<u>616,008</u>
	1,141,251	1,043,009
Less: Accumulated Depreciation	<u>611,041</u>	<u>550,808</u>
Total	<u>\$ 530,210</u>	<u>\$ 492,201</u>

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of June 30, 2023 and 2022, consist of the following:

	<u>2023</u>	<u>2022</u>
Accounts Payable	\$362,356	\$244,120
Accrued Compensated Absences	72,160	48,502
Accrued Expenses	<u>24,376</u>	<u>63,928</u>
Total Accounts Payable and Accrued Expenses	<u>\$458,892</u>	<u>\$356,550</u>

8. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2023 and 2022 were \$60,000 and \$50,000, respectively. These funds were purpose restricted by the donor to purchase vehicles. During the year ended June 30, 2023, \$50,000 was released from restriction.

Venture House, Inc.

Notes to Financial Statements June 30, 2023 and 2022

9. Board Designated Reserve

The purpose of the board designated operating reserve is to ensure the stability of the mission, programs, employment, and ongoing operations of the Organization. The reserve performs this function by providing cash in emergency situations to sustain financial operations in the unanticipated event of significant unbudgeted increases in operating expenses or loss of revenue operating reserve is not meant to place a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of Venture House for Operating Reserves to be used when needed and replenished in relatively short order. Board designated net assets totaled \$458,296 and \$175,660 at June 30, 2023 and 2022, respectively.

10. Pension Plan

The Organization sponsors a 403(b)-pension plan and provides a contribution of 6% of an employee's salary to the plan. All full-time staff members that meet the Plan's requirements are eligible to participate in the plan after one year of employment.

Total pension expense for the plans for the years ended June 30, 2023 and 2022 was \$100,347 and \$44,436, respectively, and is included in Fringe Benefits on the Statements of Functional Expenses.

11. Contingencies

The Organization receives the majority of its funding from government grant contracts, all of which are subject to audit by the funding sources. The ultimate determination of amounts received under these programs is generally based upon allowable costs reported to and audited by the funding source. Until such audit has been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs.

12. Concentration of Credit Risk

The Organization maintains its cash balances at financial institutions located in the New York City area. Accounts at each institution were insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 at June 30, 2023 and 2022. Uninsured cash was \$986,708 and \$614,868 at June 30, 2023 and 2022, respectively.

Venture House, Inc.

Notes to Financial Statements June 30, 2023 and 2022

13. Related Party Transactions

The Organization rents its facility from VH Properties, Inc. Rent expense for the years ended June 30, 2023 and 2022 was \$50,000 for both years.

Amount due from VH Properties, Inc. for security deposit and other transactions related to the leased property for the years ended June 30, 2023 and 2022 was \$143,184 and \$119,336, respectively. In fiscal year 2023, 2022, and 2021, the Organization advanced funds to VH Properties, Inc. for improvements to the building. The Organization will be reimbursed for advances in fiscal year 2024.

VH Properties, Inc. is required to remit all income, less expenses, to the Organization at the end of the year in accordance with Internal Revenue Service 501(c)(2) regulations. For the years ended June 30, 2023 and 2022, there was no excess income to remit to the Organization.

14. Operating Lease

The Organization evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU asset and lease liabilities, all of which arise from an operating lease for its clubhouse space on Staten Island, were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2023 was 2.88%.

The Organization renewed the lease for its Staten Island clubhouse with 1442-1448 Castleton Avenue LLC in June 2020 for an additional three-year term, which expired on June 30, 2023, and was renewed for an additional three-year term through June 2026. There is an option in the lease to purchase the building for \$2.2 million and discussions have commenced regarding exercising the purchase option in the future. As of the date of the financial statement, no determination of a purchase has been made, therefore the Organization is accounting for this lease as an operating lease.

The Organization entered into a lease agreement with VH Properties, Inc. on July 1, 2017. The Organization lease for its Queens clubhouse space with VH Properties, Inc. is for an initial term of seven years, with lease payments of \$50,000 per year. At the end of the initial term, the Organization may renew the lease for an additional five years, paying \$50,000 per year for rent. This lease does not fall under the new lease accounting standard as it expires on June 30, 2024. Rent expense was \$50,000 for both years ended June 30, 2023 and 2022.

Venture House, Inc.

Notes to Financial Statements June 30, 2023 and 2022

Total lease expense for the year ended June 30, 2023 is as follows:

Operating Lease expense	<u>\$129,825</u>
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Cash flow information for the year ended June 30, 2023 is as follows:

Operating cash flows from operating leases	\$124,860
ROU assets obtained in exchange for new operating lease liabilities	\$519,695
Weighted-average remaining lease term in years for operating leases	3.25
Weighted-average discount rate for operating leases	2.88%

The following displays the undiscounted cash flows due related to the operating lease as of June 30, 2023, along with a reconciliation to the discounted amount recorded on the statement of financial position at June 30, 2023:

2024	\$131,352
2025	131,352
2026	131,352
2027	<u>32,837</u>
Total undiscounted cash flows	426,893
Less: present value discount	<u>(18,858)</u>
Total lease liabilities	<u>\$408,035</u>

Rent expense under FASB ASC 840 (pre-adoption of the new standard) for operating leases totaled \$137,216 for the year ended June 30, 2022. The aggregate minimum lease payments under those operating leases as of June 30, 2022 were as follows:

2023	\$174,860
2024	<u>50,000</u>
Total	<u>\$224,860</u>

Venture House, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

15. Subsequent Events

The Organization has evaluated events through November 29, 2023, the date which the financial statements were available to be issued.

Subsequent to the financial statement date, the City of New York has undertaken a re-procurement of all Clubhouse contracts across New York City to maximize Clubhouse services for all eligible individuals. As a result, all current contracts will end on June 30, 2024 with some allowance for overlap during the process of transitioning to new contracts.

In October 2023, the City of New York issued a Request for Proposal (RFP) for the re-issuance of these contracts. Venture House will submit proposals to retain its current clubhouse programs. The RFP due date is December 13, 2023, and the new awardees will be determined in early 2024 and the anticipated start date for the new contract is July 1, 2024.

Based on the Organization's history of success in meeting its contractual obligations over the course of 35 years, the Organization is confident that it will succeed in retaining both Clubhouse contracts and this procurement will have no impact on the company's financial operations.

16. Fair Value of Financial Instruments

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable, grants receivable, prepaid expenses and accounts payable and accrued expenses. For these financial instruments, carrying values approximate fair value.