ALI FORNEY CENTER, INC.

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORTS

FOR THE YEARS ENDED
DECEMBER 31, 2022 and 2021

PADILLA & COMPANY, LLP
Certified Public Accountants

ALI FORNEY CENTER, INC.

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PART I - FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ali Forney Center, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ali Forney Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021 , and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ali Forney Center, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ali Forney Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ali Forney Center, 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 the Ali Forney Center, 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 audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2023, on our consideration of the Ali Forney Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Ali Forney Center, Inc. 's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ali Forney Center, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Ali Forney Center, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Padilla and Company, LLP

Jamaica, New York
October 9, 2023

ALI FORNEY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	$ 2,728,536	$ 2,592,354
Due from grantors (Note 4)	3,481,937	2,324,260
Pledges receivable (Note 5)	2,661,628	280,615
Investments (Note 6)	1,260,753	1,173,713
Prepaid expenses (Note 7)	103,840	66,281
Total Current Assets	10,236,694	6,437,223
Noncurrent Assets		
Property and equipment - net (Note 8)	899,343	864,673
Right-of-use assets (Note 9)	2,587,518	-
Security deposits (Note 10)	335,218	321,368
Total Noncurrent Assets	3,822,079	1,186,041
Total Assets	$ 14,058,773	$ 7,623,264
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses (Note 11)	$ 2,338,928	$ 1,979,052
Advances from government agencies (Note 12)	1,807,485	1,418,942
Payable to Internal Revenue Service (Note 14)	187,496	187,496
Current portion of lease liabilities (Note 9)	335,560	-
Business line of credit	-	-
Deferred rent	-	85,128
Total Current Liabilities	4,669,469	3,670,618
Noncurrent Liabilities		
Lease liabilities - noncurrent portion (Note 9)	2,340,659	-
Loan payable (Note 15)	400,000	400,000
Total Noncurrent Liabilities	2,740,659	400,000
Total Liabilities	7,410,128	4,070,618
Net Assets		
Net assets without donor restrictions		
Undesignated	3,684,292	1,998,953
Designated (Note 16)	1,277,686	1,503,693
Net assets with donor restrictions (Note 16)	1,686,667	50,000
Total Net Assets	6,648,645	3,552,646
Total Liabilities and Net Assets	$ 14,058,773	$ 7,623,264

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

ALI FORNEY CENTER, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, gain and other support				
New York City grants (Note 13)	$ -	$ 7,322,328	$ 7,322,328	$ 6,240,806
Corporate grants	6,141,062	766,667	6,907,729	3,468,887
Foundation grants	2,426,400	845,000	3,271,400	1,839,980
Federal grants (Note 13)	-	2,376,975	2,376,975	2,149,126
Individual contributions	2,257,105	50,000	2,307,105	2,626,203
Special events	1,961,778	25,000	1,986,778	975,837
New York State grants (Note 13)	-	777,052	777,052	951,227
Employee giving	14,153	-	14,153	63,538
PPP income	-	-	-	1,472,707
HOL appeal	-	-	-	5,750
Interest and other income	62,257	-	62,257	26,857
	12,862,755	12,163,022	25,025,777	19,820,918
Net assets released from restrictions:				
Satisfaction of program restrictions	10,476,355	(10,476,355)	-	-
Satisfaction of time restrictions (Note 16)	50,000	(50,000)	-	-
Total revenues, gain and other support	23,389,110	1,636,667	25,025,777	19,820,918
Expenses				
Program services:				
Emergency housing	3,655,956	-	3,655,956	3,046,171
Transitional housing	4,637,357	-	4,637,357	4,371,070
Drop-in center and vocational life skills	6,631,214	-	6,631,214	4,421,603
Total program services	14,924,527	-	14,924,527	11,838,844
Support services:				
Administration	5,553,227	-	5,553,227	6,168,256
Fundraising	1,247,833	-	1,247,833	334,555
Total support services	6,801,060	-	6,801,060	6,502,811
Total expenses	21,725,587	-	21,725,587	18,341,655
Changes in Net Assets Prior to Non-operating Activity	1,663,523	1,636,667	3,300,190	1,479,263
Non-operating Activity				
Unrealized (loss) gain on investments	(204,191)	-	(204,191)	1,657
Changes in Net Assets	1,459,332	1,636,667	3,095,999	1,480,920
Net Assets at Beginning of Year	3,502,646	50,000	3,552,646	2,071,726
Net Assets at End of Year	$ 4,961,978	$ 1,686,667	$ 6,648,645	$ 3,552,646

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

ALI FORNEY CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,300,190	$ 1,479,263
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of operating lease expense	819,529	-
Depreciation expense	106,423	79,294
Unrealized (loss) gain on investments	(204,191)	1,657
Forgiveness of PPP refundable advances	-	(1,472,707)
Decrease (increase) in:		
Due from grantors	(1,157,677)	797,480
Pledges receivable	(2,381,013)	155,356
Prepaid expenses	(37,559)	49,484
Security deposits	(13,850)	(37,200)
Increase (decrease) in:		
Accounts payable and accrued expenses	359,876	553,453
Advances from government agencies	388,543	301,664
Deferred rent	(85,128)	(57,120)
Operating lease liabilities	(730,828)	-
Payable to Internal Revenue Service	-	(162,252)
Net cash provided by operating activities	364,315	1,688,372
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(87,040)	(1,173,713)
Purchases of property and equipment	(141,093)	(356,368)
Cash used in investing activities	(228,133)	(1,530,081)
NET INCREASE IN CASH AND CASH EQUIVALENTS	136,182	158,291
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,592,354	2,434,063
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,728,536	$ 2,592,354
SUPPLEMENTAL DISCLOSURE OF CASHFLOW INFORMATION		
Interest paid	$ 24,333	$ 24,333
Fixed asset acquisitions included in accounts payable and accrued expenses	15,278	195,200

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

ALI FORNEY CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

	Emergency Housing	Transitional Housing	Drop-In Center and Vocational Life Skills	Total Program Services	Administration	Fundraising	2022 Total	2021 Total
Personnel Services								
Salaries and wages	$ 2,170,674	$ 2,593,919	$ 3,737,954	$ 8,502,547	$ 2,478,311	$ -	$ 10,980,858	$ 9,221,506
Fringe benefits	511,303	610,999	880,477	2,002,779	583,768	-	2,586,547	2,306,600
Total Personnel Services	2,681,977	3,204,918	4,618,431	10,505,326	3,062,079	-	13,567,405	11,528,106
Other than Personnel Services (OTPS)								
Contractual and professional fees	75,287	185,253	842,458	1,102,998	1,361,182	-	2,464,180	2,244,986
Rent and real estate taxes	472,472	629,970	320,501	1,422,943	270,800	-	1,693,743	1,650,486
Fundraising expenses	-	-	-	-	-	1,247,833	1,247,833	357,812
Client expenses	239,153	260,671	268,784	768,608	107,003	-	875,611	774,319
Sub-contractor	-	170,156	66,240	236,396	56,995	-	293,391	47,300
Repairs and maintenance	92,987	46,314	42,419	181,720	28,513	-	210,233	175,762
Utilities	43,091	71,833	55,735	170,659	18,156	-	188,815	164,283
Bank and other merchant fees	3,750	79	138,321	142,150	13,876	-	156,026	57,159
COVID-19 expense	-	-	-	-	150,060	-	150,060	613,010
Supplies	25,380	26,475	44,961	96,816	40,757	-	137,573	145,798
Advertising and marketing	-	-	122,031	122,031	788	-	122,819	49,075
Insurance	-	5,309	144	5,453	115,540	-	120,993	93,879
Telecommunication	16,305	34,120	21,101	71,526	40,925	-	112,451	158,691
Depreciation	-	-	-	-	106,423	-	106,423	79,294
Computer expenses	1,549	-	13,246	14,795	60,199	-	74,994	69,568
Dues and subscriptions	502	1,876	37,148	39,526	22,864	-	62,390	50,307
Realized loss on investments	-	-	-	-	40,643	-	40,643	2,757
Interest expense	-	-	-	-	24,333	-	24,333	24,333
Postage, printing and shipping	-	104	10,083	10,187	5,640	-	15,827	17,004
Vehicle expenses	2,164	252	288	2,704	4,120	-	6,824	7,574
Miscellaneous	1,339	27	29,323	30,689	22,331	-	53,020	30,152
Total OTPS	973,979	1,432,439	2,012,783	4,419,201	2,491,148	1,247,833	8,158,182	6,813,549
Total Expenses	**$ 3,655,956**	**$ 4,637,357**	**$ 6,631,214**	**$ 14,924,527**	**$ 5,553,227**	**$ 1,247,833**	**$ 21,725,587**	**$ 18,341,655**

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

1. NATURE OF ORGANIZATION

Ali Forney Center, Inc. (the "Organization") is a nonprofit organization incorporated in the State of New York in 2002. The Organization is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and has been classified as a publicly-supported organization as described in Code Section 509 (a) and 170 (b) (A) (VI).

The Organization's mission is to protect lesbian, gay, bisexual, transgender, questioning (LGBTQ) youth from the harm of homelessness and to support them in becoming safe and independent as they move from adolescence to adulthood. Youth must be between ages sixteen (16) and twenty-four (24) years old and residents of New York to be eligible to the programs.

The Organization has about 250 employees and 281 volunteers in the main office and in several program sites. The Organization screens applicants for eligibility to determine which program they can qualify. The Organization has several programs including temporary and emergency housing for the homeless LGBTQ youth, psychiatric and social services for homeless LGBTQ youth with mental and substance abuse issues, testing and counseling for those AIDS and HIV high risk and infected youths, and assistance for homeless LGBTQ youths to become self-sufficient and independent. The Organization also promotes awareness of the lives of homeless LGBTQ youth in the United States to generate responses from local and national level from government and private parties.

The major programs include the following: (a) WIOA Dislocated Worker Formula Grants, which helps homeless LGBTQ youth seeking employment and education succeed in the labor market; (b) Housing and Urban Development Supportive Housing Program, which provides temporary shelters to homeless LGBTQ youth while assisting them in transitioning into successful permanent independent living. In 2022, the Organization's provided the following program services:

Emergency Housing Program. The program consists of different sites that provides temporary housing for homeless LGBTQ youth in safe, nurturing and staff-supervised apartments.

Transitional Housing Programs. This program allows homeless LGBTQ youth to reside in transitional housing program for up to two years while the Organization assists them in gaining employment and continuing their education. The Organization also provides assistance to gain financial stability.

Drop-in Center and Vocational Skills. This program was started in response to lack of needed expanded clinical and supportive services to unsheltered LGBTQ youth. The program introduces homeless LGBTQ youth to a safe, supportive environment where prevention and treatments services are offered.

1. NATURE OF ORGANIZATION (CONTINUED)

Management and general activities. This includes functions necessary to provide support for the organization's program activities. This includes activities that provide governance, oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and equitable employment program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting
The financial statements of the Organization have been prepared on an accrual basis of accounting in conformity with generally accepted accounting principles for not-for-profit organizations and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") in its Statement No. 958-205, as updated by Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Descriptions of the two net asset categories are as follows:

Net Assets without Donor Restrictions
Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. Net assets without donor restrictions include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Organization and an outside party other than a donor or grantor.

Net Assets with Donor Restrictions
Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets with Donor Restrictions (continued)
The Organization's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds and its beneficial interest in a perpetual charitable trust held by a bank trustee.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Revenue Recognition
In accordance with ASC 606, the Organization recognizes revenue when control of the promised goods or services are transferred to the customers or outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Grants Revenue
Revenue from grants with resource providers such as the government and its agencies, other organizations and private foundations are accounted for either as exchange transactions or as contributions. When the resource provider receives commensurate value in return for the resources transferred to the Organization, the revenue from the grant or contract is accounted for as an exchange transaction in accordance with ASU 2014-09. For purposes of determining whether a transfer of asset is a contribution or an exchange, the Organization deems that the resource provider is not synonymous with the general public, i.e., indirect benefit received by the public as a result of the assets transferred is not deemed equivalent to commensurate value received by the resource provider. Moreover, the execution of a resource provider's mission or the positive sentiment from acting as a donor is not deemed to constitute commensurate value received by a resource provider. Revenue from grants that is accounted for as exchange transactions is recognized when performance obligations have been satisfied. Cash received in excess of revenue recognized is recorded as refundable advances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Revenue (continued)

At December 31, 2022, the Organization has received conditional grants from governmental entities in the aggregate amount of approximately $3,633,134 that have not been recorded in the accompanying financial statements, as they have not been earned. These grants require the Organization to provide certain services during specified periods. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants.

Grant transactions where the resource provider does not receive commensurate value are accounted for as a contribution.

Contributions

Transactions where the resource provider often receives value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as due to funding agencies.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

Conditional and unconditional contributions are recorded either with donor restrictions or without donor restrictions. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. 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 as net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contribution without donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at their fair values based on quoted prices in active markets in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains and losses are reported as increases or decreases in net assets without donor restrictions in the reporting period in which the income and gains and losses are recognized.

The Organization's investment transactions are made based on its existing investment policy. The Organization invests in a portfolio that contains common shares of publicly traded companies, corporate bonds, government securities, mutual funds and exchange traded funds. Such investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Security Deposit

Security deposits consists of refundable deposits paid in advance to lessors for the occupancy of sites, and for the electricity, gas and heating services.

Property and Equipment

Property and equipment are recorded at cost. It is the Organization's policy to capitalize assets in excess of $500. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the term of the lease or the lives of the assets.

The estimated useful lives of the property and equipment are as follows:

	Number of Years
Equipment	3
Furniture and Fixtures	5
Leasehold improvements	10 or the term of the lease, whichever is shorter

Impairment of Property and Equipment

The Organization reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment losses were recognized during the years ended December 31, 2022 and 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advances from a Government Agency
Advances represent funds received but not yet earned.

Deferred Rent
The Organization occupies certain buildings under leases containing escalation clauses that require normalization of the rental expense over the life of the lease. The resulting deferred rent is reflected in the accompanying statement of financial position.

Functional Allocation of Expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited. Such allocations are determined by management in accordance with grant provisions and/or other equitable bases.

Vacation and Sick Leave
Employees are granted vacation leaves depending on the length of service. Employees who work more than 80 hours per calendar year are eligible for time off work with pay for reasons specified in the New York City Paid Safe and Sick Leave Law. The pay rate is based on the employee's salary at the time the leave is taken or at the time the employee leaves the Organization.

Employees are automatically allowed to carry over vacation leaves up to 35 vacation hours to the next fiscal year, and must be used in the first quarter of the next fiscal year or be forfeited. Regular full-time employees may carry over and accumulate safe/sick leave up to a maximum of 240 hours. All other employees may carry over and accumulate 40 hours of safe/sick leave per calendar year. Other than payment for accrued unused vacation upon termination, no other payments will be made in lieu of taking vacation leave. Safe/sick leave are not reimbursed upon termination.

Income Taxes
The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Organization had been determined to be a publicly supported organization and not a private foundation within the meaning of Section 509(a) (1) of the Code.

The Organization is unaware of any uncertain tax positions as of December 31, 2022 in accordance with ASC Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the Organization to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

Reclassification

Certain reclassifications may have been made to prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net assets.

Fair Value Measurements

The Organization accounts for fair value measurements under FASB ASC 820, *Fair Value Measurements*, which establishes a hierarchy for inputs used to measure fair value based on the nature of the data input, which generally ranges from Level 1 to Level 3. Multiple inputs may be used to measure fair value.

Level 1: Measurements that are most observable are based on quoted prices of identical instruments obtained from principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity.

Level 2: Measurements derived indirectly from observable inputs or from quoted prices for markets that are less liquid. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates, credit risks and others.

Level 3: Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations.

The following table present the Organization's assets measured at fair value on a recurring basis. Included in the table is investments in equity securities held at Morgan Stanley Smith Barney, LLC. Such securities are mainly investment grade level 1.

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 752,497	$ -	$ -	$ 752,497
Common stocks	416,177	-	-	416,177
Exchange traded funds	92,079	-	-	92,079
	$ 1,260,753	$ -	$ -	$ 1,260,753

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncements
The Organization adopted FASB ASU 2016-02 (as amended), Leases *(Topic 842)* on January 1, 2022. This ASU requires lessees to recognize a right-of-use asset and a corresponding lease liability for virtually all leases. The Organization elected and applied the following transition practical expedients when initially adopting Topic 842.

- To apply the provisions of Topic 842 at the adoption date using a modified retrospective approach; and
- To not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are/or contain leases; and (iii) initial direct costs for existing lease.

As a result of the adoption of the new accounting guidance, the Organization recognized on January 1, 2022, the following: (a) lease liabilities of $3,444,428, which represents the present value of the remaining lease payments of $3,781,105 discounted using the Organization's incremental borrowing rate, and (b) right-of-use assets of $3,359,300, which represent the lease liabilities less the deferred rent of $85,128.

In September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958) (ASU 2020-07)*. This guidance is an amendment to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit entities, as well as the amount of those contributions used in a not-for-profit entity's program and other activities. Adoption of this standard did not have a significant impact on the financial statements.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents account comprise of cash on hand, deposits held on call with banks and money market account. The carrying amount of these assets approximates their fair value. This account consists of the following:

	2022	2021
Checking account	$ 795,905	$ 1,766,549
Payroll processing	565,589	468,979
Brokerage account	16,933	329,980
Savings account	1,291,314	10,296
Paypal account	46,820	200
	2,716,561	2,576,004
Petty cash	11,975	16,350
	$ 2,728,536	$ 2,592,354

4. DUE FROM GRANTORS

Due from grantors account consists of claims for reimbursement of program expenses from government agencies. This account consists of the following:

	2022	2021
NYC Department of Youth and Community Development	$ 2,437,135	$ 1,304,970
US Department of Housing and Urban Development	621,620	313,447
Substance Abuse and Mental Health Services Administration	134,374	70,875
NYC Department of Health and Mental Hygiene	91,557	91,557
Harlem United Subcontract	72,434	54,477
NYS Office of Temporary and Disability Assistance	64,787	123,840
Department of Justice Office for Victims of Crime	29,077	51,296
NYS Office of Children and Family Services	25,000	25,000
NYS Department of Health	5,953	250,264
Health Resource Incorporated	-	38,534
	$ 3,481,937	$ 2,324,260

As of audit report date, $3,338,751 were subsequently collected.

5. PLEDGES RECEIVABLE

This account consists of the following:

	2022	2021
Due in one year	$ 1,669,961	$ 280,615
Due in two to five years	991,667	-
	$ 2,661,628	$ 280,615

As of audit report date, $1,459,599 were subsequently collected.

6. INVESTMENTS

This account consists of the following:

	2022	2021
Mutual funds	$ 752,497	$ 702,445
Common stocks	416,177	380,187
Exchange traded funds	92,079	91,081
	$ 1,260,753	$ 1,173,713

7. PREPAID EXPENSES

This account consists of the following:

	2022	2021
Prepaid rent	$ 64,520	$ 25,100
Prepaid insurance	8,933	7,792
Other prepayments	30,387	33,389
	$ 103,840	$ 66,281

8. PROPERTY AND EQUIPMENT

This account consists of the following:

	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction-in-Progress	Total
Cost				
At January 1, 2022	$ 189,118	$ 871,218	$ 561,071	$ 1,621,407
Additions	119,938	-	21,155	141,093
At December 31, 2022	309,056	871,218	582,226	1,762,500
Accumulated Depreciation				
At January 1, 2022	150,386	606,348	-	756,734
Depreciation and amortization	32,902	73,521	-	106,423
At December 31, 2022	183,288	679,869	-	863,157
Carrying Amount				
At December 31, 2022	$ 125,768	$ 191,349	$ 582,226	$ 899,343

	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction-in-Progress	Total
Cost				
At January 1, 2021	$ 191,149	$ 871,218	$ 242,935	$ 1,305,302
Additions	38,232	-	318,136	356,368
Disposal	(40,263)	-	-	(40,263)
At December 31, 2021	189,118	871,218	561,071	1,621,407
Accumulated Depreciation				
At January 1, 2021	190,649	527,054	-	717,703
Depreciation and amortization	-	79,294	-	79,294
Disposal	(40,263)	-	-	(40,263)
At December 31, 2021	150,386	606,348	-	756,734
Carrying Amount				
At December 31, 2021	$ 38,732	$ 264,870	$ 561,071	$ 864,673

9. LEASES

The Organization leases several spaces for its operations. The Organization recognizes a right-of-use asset and a lease liability for operating leases based on the net present value of future minimum lease payments. Lease expense for the Organization's operating leases is recognized on a straight-line basis over the lease term, including renewal periods that are considered reasonably certain. The lease contracts cover a period of one (1) to fifteen (15) years and renewable under certain terms and conditions as agreed by both parties.

The Organization's decisions regarding lease renewal options that are reasonably certain to be exercised have been incorporated as part of the lease term in right-of-use asset and lease liability calculations for all leases with a commencement date subsequent to the adoption of ASC 842. To support these determinations, the Organization evaluated each new lease that commenced after transition and included a renewal option (or options) to assess whether or not the future renewal options were reasonably certain to be exercised. The periods related to any renewal options deemed not reasonably certain to be exercised were excluded from the lease term with respect to the right-of-use asset and lease liability calculations. The carrying amount of right-of-use assets and lease liabilities recognized in the statements of financial position amounted to $2,587,518 and $2,676,219, respectively, as of December 31, 2022.

The components of rental cost for the year ended December 31, 2022 are as follows:

	Short-term leases	Operating leases
Rent expense	$ 796,196	$ 819,529
Amortization expense	-	-
Interest expense	-	-
Total lease costs	$ 796,196	$ 819,529

The rental costs of short-term and operating leases are included in rent and real estate taxes in the statement of functional expenses for the year ended December 31, 2022.

Cash flow information related to the Organization's leases for the year ended December 31, 2022:

Year ended December 31, 2022	Operating leases
Cash paid for amounts included in the measurement of lease liabilities	$ 815,956

9. LEASES (CONTINUED)

Weighted average remaining lease term and weighted average incremental borrowing rate for the Organization leases as of December 31, 2022:

Year ended December 31, 2022	Operating leases
Ending Operating Lease Liability Balance	$ 2,676,219
Remaining Term (in months)	144
Discount Rate	1.70%

Annual maturity analysis for the Organization's lease liabilities for the five (5) years following December 31, 2022 and thereafter are as follows:

Calendar year	Operating leases
2023	$ 375,437
2024	165,309
2025	173,574
2026	182,253
2027	191,366
Thereafter	1,918,740
Total lease payments	3,006,679
Less interest on lease liabilities	(330,460)
Total lease liabilities	2,676,219
Less current portion of total lease liabilities	(335,560)
Noncurrent portion of total lease liabilities	$ 2,340,659

10. SECURITY DEPOSITS

This account consists of the following:

	2022	2021
Rental deposits	$ 221,850	$ 184,650
Other deposits	113,368	136,718
	$ 335,218	$ 321,368

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of the following:

	2022	2021
Accounts payable	$ 1,174,722	$ 846,717
Accrued salaries	604,182	518,371
Accrued vacation	150,733	214,283
Accrued interest payable	119,600	95,266
Other accrued expenses	289,691	304,415
	$ 2,338,928	$ 1,979,052

As of audit report date, $1,787,204 were subsequently paid.

12. ADVANCES FROM GOVERNMENT AGENCIES

Advances from government agencies represents cash advances from NYC Department of Youth and Community Development ("DYCD") to augment its operating cash requirements while awaiting reimbursements from the grantors for its various programs. Typically, these advances are applied to the respective grantors' subsequent year's grants. Advances from DYCD as of December 31, 2022 and 2021 amounted to $1,807,485 and $1,418,942, respectively.

13. GOVERNMENT GRANTS

The composition of grant revenue for the year ended December 31 is as follows:

	2022	2021
Federal Grants		
Department of Housing and Urban Development	$ 1,311,282	$ 1,070,124
Substance Abuse and Mental Health Services Administration	950,712	778,437
Department of Justice Office for Victims of Crime	114,981	126,200
Health Resource Incorporated	-	147,090
NYS Department of Labor	-	27,275
	2,376,975	2,149,126
State Grants		
NYS Department of Health	425,773	633,571
NYS Office of Temporary and Disability Assistance	195,862	171,134
Harlem United Subcontract	155,417	121,522
NYS Office of Children and Family Services	-	25,000
	777,052	951,227
Local Grants		
NYC Department of Youth and Community Development	7,280,038	6,086,525
NYC Department of Health and Mental Hygiene	42,290	154,281
	7,322,328	6,240,806
	$ 10,476,355	$ 9,341,159

14. PAYABLE TO INTERNAL REVENUE SERVICE

The Coronavirus, Aid, Relief and Economic Security (“CARES”) Act allowed employers to defer payment of the employer's share of Social Security tax. The Organization applied to defer the employer portion of Social Security taxes and the deferment was effective on April 21, 2020. As of December 31, 2022 and 2021, total deferred employer share of social security taxes amounted to $187,496 for both years.

15. LOAN PAYABLE

On January 31, 2018, the Organization entered a $400,000 loan agreement with Supportive Housing Solutions Fund, LLC to finance the construction of a 21-unit supportive housing project in Astoria, New York. Interest accrues at a rate of 6% and all unpaid interest and principal is due at maturity date, January 1, 2024. The loan payable balance as of December 31, 2022 and 2021 amounted to $400,000 for both years.

16. DESIGNATED AND RESTRICTED NET ASSETS

The Organization maintains a Board-designated endowment which represents amounts segregated by the Board to provide income for the Organization's operating and capital needs. Board-designated endowment activity was as follows:

Board designation	$ 1,503,693
Interest and dividends	27,287
Net realized loss on sale of investments	(40,643)
Net unrealized loss on investments	(204,191)
Investment fees	(8,460)
Board-designated endowment funds, December 31, 2022	$ 1,277,686

The Organization has not adopted a spending policy for Board-designated endowment assets.

Donor-restricted net asset activity during the year ended December 31, 2022 and 2021 were as follows:

	2022	**2021**
Net assets subject to time restrictions	$ 1,686,667	$ 260,000
Net assets subject to donor restrictions	50,000	-
Satisfaction of time restrictions	(50,000)	(210,000)
	$ 1,686,667	$ 50,000

17. CONCENTRATIONS OF CREDIT RISK

The Organization's assets that are exposed to credit risk consist primarily of investments, cash and cash equivalents. The cash and cash equivalents of the Organization are composed of amounts in accounts at a bank and with a custodian. While the amounts in the bank accounts at times exceed the amount guaranteed by federal agencies of $250,000 and therefore bear some risk, the Organization has not experienced, nor does it anticipate, any loss of funds on its cash and cash equivalents. At times, amounts deposited and invested with financial institutions may exceed federally insured limits. Management believes it is not exposed to any significant credit risks.

Due from Grantors
In 2022 and 2021, three and four grantors accounted for approximately 88% and 90%, respectively, of due from grantors.

Pledges Receivable
In 2022 and 2021, three and three donors, respectively, accounted for approximately 69% and 62%, respectively, of pledges receivable.

18. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has cash receipts attributable to donations from various donors. Those funds could be used for general expenditures. The following reflects the Organization's financial assets as of balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2022	2021
Financial Assets		
Cash and cash equivalents	$ 2,728,536	$ 2,592,354
Due from grantors	3,481,937	2,324,260
Pledges receivable	2,661,628	280,615
Investments	1,260,753	1,173,713
Total Financial Assets	10,132,854	6,370,942
Less: Net assets with donor restrictions	1,686,667	50,000
Total Financial Assets available for general expenditures	$ 8,446,187	$ 6,320,942

As part of Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization strives to maintain liquid financial assets sufficient to cover ninety (90) days of general expenditures. The Board and management believe its liquidity is adequate to meet current obligations as they become due. It also believes the Organization's finances are strong enough to obtain short term financing from its bankers if need be.

19. METHOD USED FOR ALLOCATION OF EXPENSES AMONG PROGRAM AND SUPPORTING SERVICES

The Organization allocates its expenditures to its various programs using the following methodologies:

Expense Category	Allocation Method
Salaries	Time spent per program
Fringe Benefits	Salary expense per program
Advertising and Marketing	Program utilization
Client Expenses	Program utilization
Computer Expenses	Number of employees
Contractual and Professional Fees	Program utilization
Fundraising Expenses	Level of funding
Insurance	Level of funding
Interest Expenses	Level of funding
Bank Fees	Level of funding
Miscellaneous	Program utilization
Postage, Printing, Shipping	Program utilization
Rent and Real Estate Taxes	Square footage and program utilization
Repairs and Maintenance	Program utilization
Supplies	Program utilization
COVID-19 Expenses	Level of funding
Telecommunication	Program utilization
Utilities	Program utilization
Vehicle Expenses	Level of funding

Administration expenses include those costs that are not directly identifiable with any specific program, but which provides for the overall support and direction of the Organization.

20. FUTURE PROGRAM AUDITS

Reimbursements from grant related expenses and overhead applicable to programs conducted under contract with the city, state and federal government are subject to audit, which may result in adjustments for disallowances. The amount of the disallowance, if any, cannot be determined. Therefore, no provision is made for these potential liabilities.

21. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the statement of financial position date through October 9, 2023, which is the date the financial statements were available to be issued. Based on this evaluation, adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.

PART II - COMPLIANCE AND INTERNAL CONTROL SECTION

PADILLA & COMPANY, LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Ali Forney Center, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ali Forney Center, Inc. (a nonprofit organization, herein referred to as the "Organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 9, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ali Forney Center, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ali Forney Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Ali Forney Center, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ali Forney Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying findings and recommendations on compliance and other matters as **NF-COM Finding 1.**

Organization's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Ali Forney Center, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs the Ali Forney Center, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Padilla and Company, LLP

Jamaica, New York
October 9, 2023

Current Year

Material Weaknesses:

None.

Significant Deficiencies:

None.

<u>Current Year</u>

Financial Compliance and Other Matters Findings:

None.

Non-Financial Compliance and Other Matters Findings (NF-COM Finding):

NF-COM Finding 1

Criteria:	Title 2 *U.S.* Code of Federal Regulations (CFR) section 200.512 (a), Report Submission, paragraph 1, *"the audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period."*
Condition:	The Organization was not able to file the data collection form and reporting package on a timely basis.
Effect:	The Organization was not in compliance with the reporting requirement of the Uniform Guidance.
Cause:	The Organization was not able to prepare the agency-wide financial statements and relevant supporting documents on time.
Recommendation:	We recommend that the Organization should file the data collection form and reporting package within the required period as per the reporting requirement in the Uniform Guidance. According to Title 2 U.S. CFR 200.512 (a), the audit shall be completed and the data collection form and reporting package shall be electronically transmitted within the earlier of 30 days after receipt of the auditor's reports, or nine months after the end of the audit period.
Organization's Comments:	The Organization will prepare for and complete the audit and the data collection form within the required period as per the reporting requirement in the Title 2 U.S CFR 200.512 (a).

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Ali Forney Center, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited Ali Forney Center, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ali Forney Center, Inc.'s major federal programs for the year ended December 31, 2022. Ali Forney Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Ali Forney Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. C*ode of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Ali Forney Center, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Ali Forney Center, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Ali Forney Center, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Ali Forney Center, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Ali Forney Center, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Ali Forney Center, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Ali Forney Center, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Ali Forney Center, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Padilla and Company, LLP

Jamaica, New York
October 9, 2023

ALI FORNEY CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Pass-through Federal/State Grantor	Assistance Listing No.	Federal Expenditures	Pass-through to sub-recipient	Total
Direct:				
US Housing and Urban Development (COC/HMI)	14.267	$ 1,109,276	$ -	$ 1,109,276
US Housing and Urban Development (Youth Homelessness Demonstration)	14.276	-	202,006	202,006
US Department of Health and Human Services (Substance Abuse and Mental Health Services Administration)	93.243	946,207	4,505	950,712
US Department of Justice (Office of Violence Against Women)	16.018	114,981	-	114,981
Total Federal Awards		**$ 2,170,464**	**$ 206,511**	**$ 2,376,975**

See Notes to the Schedule of Expenditures of Federal Awards

ALI FORNEY CENTER, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

1. General Information

The accompanying Schedule of Expenditure of Federal Awards (the "Schedule") presents the activities in all the federal programs of Ali Forney Center, Inc. All Federal Awards received directly from federal agencies as well as Federal Awards passed through other governmental agencies or nonprofit organizations are included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to federal funding agencies due to those reports being submitted on either a cash or modified cash basis of accounting. Certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Relationship to Basic Financial Statements

Federal program expenditures are reported in the statements of functional expenses as program expenses. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the Schedule of Expenditures of Federal Awards due to capitalization of assets, organizations matching or in-kind contributions.

ALI FORNEY CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Part I - Summary of Auditor's Report

Financial Statements Section

Type of auditor's report issued			Unmodified	
Internal Control over Financial Reporting:				
Material weakness(es) identified?	______	Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______	Yes	X	None reported
Noncompliance material to financial statements noted?	______	Yes	X	No

Federal Awards Section

Internal Control over major programs:				
Material weakness(es) identified?	______	Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______	Yes	X	None reported
Type of auditor's report issued on compliance for major programs			Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	______	Yes	X	No

Identification of Major Programs

CFDA Number	Name of Federal Program
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance

Dollar threshold used to distinguish Type A and Type B programs			$750,000	
Auditee qualified as a low-risk auditee?	______	Yes	X	No

ALI FORNEY CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Part II - Current Year Financial Statement Findings

Material Weakness

None noted.

Significant Deficiency

None noted.

ALI FORNEY CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Part III - Current Year Federal Awards Findings and Questioned Costs

Noncompliance

None noted.

ALI FORNEY CENTER, INC.
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE PERIOD ENDED DECEMBER 31, 2022

Part IV - Follow-up on Prior Year Findings

No prior year audit findings.

Part V - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs noted that are required to be reported in accordance with the *Uniform Guidance*.