THE FORTUNE SOCIETY, INC.
AND AFFILIATES

Consolidated Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2023 and 2022

THE FORTUNE SOCIETY, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2023 AND 2022

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CBIZ CPAs

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Fortune Society, Inc. and Affiliates
Long Island City, NY

Opinion

We have audited the consolidated financial statements of The Fortune Society, Inc. and Affiliates (collectively, "Fortune"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Fortune 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 2N to consolidated financial statements, Fortune changed its method of accounting for leases as a result of the adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842, *Leases*, effective July 1, 2022 under the modified retrospective method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits in orders to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fortune'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fortune'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.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information as of and for the year ended June 30, 2023 (shown on pages 20 to 21) is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and the change in net assets of the individual entities, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CBIZ CPAs P.C.[1]

New York, NY
October 28, 2024

THE FORTUNE SOCIETY, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents (Notes 2E and 5B)	$ 901,916	$ 3,569,630
Government grants, contracts and fees receivable, net (Notes 2F, 2G, 2H, 5A)	21,981,745	19,220,546
Pledges receivable (Notes 2F, 2H and 6)	3,622,664	3,181,452
Rent and other receivable, net	568,778	296,771
Prepaid expenses and other assets	721,326	967,186
Restricted cash (Notes 2E and 4)	1,513,943	365,489
Operating lease right-of-use assets (Notes 2M and 11B)	24,298,238	-
Property and equipment, net (Notes 2I and 7)	16,003,821	13,544,996
Security deposits	1,040,674	456,384
TOTAL ASSETS	$ 70,653,105	$ 41,602,454
LIABILITIES		
Accounts payable and accrued expenses	$ 3,093,911	$ 3,515,414
Accrued salaries and related expenses	1,649,281	1,096,519
Accrued vacation	1,410,404	1,078,257
Government refundable advances (Note 2J)	2,324,042	1,521,228
Third party reserves (Note 4)	1,148,454	-
Deferred rent	-	344,977
Operating lease liability (Notes 2M and 11B)	24,642,500	-
Loans payable (Note 9)	2,550,778	2,376,665
Mortgage payable (Note 10)	5,048,046	5,048,046
Accrued mortgage interest (Note 10)	1,214,198	1,067,001
TOTAL LIABILITIES	43,081,614	16,048,107
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS (Note 2C)		
Without donor restrictions	17,871,464	16,891,828
With donor restrictions (Note 17)	9,700,027	8,662,519
TOTAL NET ASSETS	27,571,491	25,554,347
TOTAL LIABILITIES AND NET ASSETS	$ 70,653,105	$ 41,602,454

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

THE FORTUNE SOCIETY, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Without Donor Restrictions	With Donor Restrictions	Total 2022
OPERATING ACTIVITIES:						
PUBLIC SUPPORT AND REVENUE:						
Contributions and revenue from special events (Note 2F)	$ 637,304	$ -	$ 637,304	$ 1,204,491	$ -	$ 1,204,491
Direct expenses from special events	(129,072)	-	(129,072)	(106,868)	-	(106,868)
Special events, net	508,232	-	508,232	1,097,623	-	1,097,623
Government grants and fees (Notes 2F, 2G, 5A and 15)	57,091,842	-	57,091,842	36,580,622	-	36,580,622
Foundation grants, contributions and other (Note 2F)	2,376,796	3,736,798	6,113,594	12,101,758	4,807,100	16,908,858
Noncash contributions in-kind (Note 2K)	517,528	-	517,528	93,126	-	93,126
Forgiveness of Paycheck Protection Program loan payable (Note 9)	-	-	-	3,863,500	-	3,863,500
Other income (Note 16)	1,321,223	-	1,321,223	1,033,762	-	1,033,762
Net assets released from restrictions (Notes 2C and 17)	2,699,290	(2,699,290)	-	2,123,293	(2,123,293)	-
TOTAL PUBLIC SUPPORT AND REVENUE	64,514,911	1,037,508	65,552,419	56,893,684	2,683,807	59,577,491
EXPENSES: (Note 2L)						
Program services	53,263,567	-	53,263,567	37,900,809	-	37,900,809
Management and general	9,073,540	-	9,073,540	7,093,509	-	7,093,509
Fundraising	1,198,168	-	1,198,168	1,014,971	-	1,014,971
TOTAL OPERATING EXPENSES	63,535,275	-	63,535,275	46,009,289	-	46,009,289
CHANGE IN NET ASSETS FROM OPERATIONS	979,636	1,037,508	2,017,144	10,884,395	2,683,807	13,568,202
NONOPERATING ACTIVITY:						
Amortization of rent expense attributable to straight-lining	-	-	-	452,824	-	452,824
TOTAL NONOPERATING ACTIVITY	-	-	-	452,824	-	452,824
CHANGE IN NET ASSETS	979,636	1,037,508	2,017,144	11,337,219	2,683,807	14,021,026
Net Assets - Beginning of Year	16,891,828	8,662,519	25,554,347	5,554,609	5,978,712	11,533,321
NET ASSETS - END OF YEAR	$ 17,871,464	$ 9,700,027	$ 27,571,491	$ 16,891,828	$ 8,662,519	$ 25,554,347

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

THE FORTUNE SOCIETY, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	For the Year Ended June 30, 2023										
	Program Services						Support Services				
	Employment & Education Services	Housing Services	Alternatives to Incarceration	Licensed Behavioral Health Services	Other Programs	Total Program Services	Management and General	Fundraising	Total Support Services	Total 2023	Total 2022
Salaries	$ 1,695,925	$ 7,248,218	$ 6,201,305	$ 2,487,616	$ 5,760,418	$ 23,393,482	$ 5,177,953	$ 673,721	$ 5,851,674	$ 29,245,156	$ 21,026,583
Payroll taxes and fringe benefits (Note 13)	542,502	2,156,913	1,884,757	797,254	1,765,471	7,146,897	1,494,339	205,334	1,699,673	8,846,570	6,602,117
Total Personnel Costs	2,238,427	9,405,131	8,086,062	3,284,870	7,525,889	30,540,379	6,672,292	879,055	7,551,347	38,091,726	27,628,700
Professional fees (Note 2K)	844,860	223,653	1,755,174	153,607	1,023,665	4,000,959	1,060,845	156,874	1,217,719	5,218,678	4,470,874
Benefit expense	-	-	-	-	-	-	-	129,072	129,072	129,072	106,868
Supplies, materials, printing, stationery and other	42,035	87,736	264,459	60,217	88,290	542,737	93,066	52,968	146,034	688,771	526,233
Staff training/conference activities	15,987	20,621	44,806	1,972	74,464	157,850	101,373	8,627	110,000	267,850	275,147
Client travel	214,842	6,985	96,169	25,862	45,058	388,916	-	-	-	388,916	252,189
Client rent	-	6,792,697	-	-	34,100	6,826,797	-	-	-	6,826,797	4,325,107
Client food, activities and other	72,717	398,638	401,994	152,690	57,066	1,083,105	-	-	-	1,083,105	614,009
Client stipends and incentives	1,017,900	23,293	102,157	4,275	128,286	1,275,911	-	-	-	1,275,911	1,249,832
Telephone	10,150	16,685	605,572	21,026	222,669	876,102	32,185	1,791	33,976	910,078	308,876
Occupancy	199,161	1,286,495	1,990,410	365,675	1,174,571	5,016,312	391,484	55,673	447,157	5,463,469	3,855,208
Internet and information technology services	20,511	51,889	160,751	131,627	153,408	518,186	180,648	18,833	199,481	717,667	870,926
Expensed furniture and equipment	12,731	187,845	309,918	17,264	65,987	593,745	34,324	2,695	37,019	630,764	362,277
Interest and bank fees	-	117,936	-	-	-	117,936	199,586	-	199,586	317,522	112,784
Bad debt	-	-	-	-	-	-	148,475	-	148,475	148,475	29,435
Insurance	14,428	181,249	144,027	61,004	86,930	487,638	25,596	4,032	29,628	517,266	419,410
Depreciation and amortization (Notes 2I and 7)	44,867	413,359	162,077	65,842	150,849	836,994	133,666	17,620	151,286	988,280	708,282
Subtotal	4,748,616	19,214,212	14,123,576	4,345,931	10,831,232	53,263,567	9,073,540	1,327,240	10,400,780	63,664,347	46,116,157
Less: Cost of direct benefit to donors	-	-	-	-	-	-	-	(129,072)	(129,072)	(129,072)	(183,295)
TOTAL EXPENSES	$ 4,748,616	$ 19,214,212	$ 14,123,576	$ 4,345,931	$ 10,831,232	$ 53,263,567	$ 9,073,540	$ 1,198,168	$ 10,271,708	$ 63,535,275	$ 45,932,862

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

THE FORTUNE SOCIETY, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	For the Year Ended June 30, 2022									
	Program Services						Support Services			
	Employment & Education Services	Housing Services	Alternatives to Incarceration	Licensed Behavioral Health Services	Other Programs	Total Program Services	Management and General	Fundraising	Total Support Services	Total 2022
Salaries	$ 1,854,017	$ 4,330,275	$ 2,965,906	$ 2,321,382	$ 5,039,340	$ 16,510,920	$ 3,987,907	$ 527,756	$ 4,515,663	$ 21,026,583
Payroll taxes and fringe benefits (Note 13)	587,447	1,367,450	939,056	741,975	1,592,411	5,228,339	1,206,659	167,119	1,373,778	6,602,117
Total Personnel Costs	2,441,464	5,697,725	3,904,962	3,063,357	6,631,751	21,739,259	5,194,566	694,875	5,889,441	27,628,700
Professional fees (Note 2L)	531,145	167,353	2,095,013	79,216	634,640	3,507,367	864,236	99,271	963,507	4,470,874
Benefit expense	-	-	-	-	-	-	-	106,868	106,868	106,868
Supplies, materials, printing, stationery and other	67,060	92,363	79,989	36,970	81,567	357,949	62,847	105,437	168,284	526,233
Staff training/conference activities	19,376	23,671	16,202	14,008	105,236	178,493	93,568	3,086	96,654	275,147
Client travel	184,951	2,366	27,705	19,489	17,678	252,189	-	-	-	252,189
Client rent	1	4,286,276	-	-	38,830	4,325,107	-	-	-	4,325,107
Client food, activities and other	34,760	420,371	48,007	52,970	57,901	614,009	-	-	-	614,009
Client stipends and incentives	1,014,945	25,546	75,090	2,815	131,436	1,249,832	-	-	-	1,249,832
Telephone	7,557	10,543	89,750	8,789	179,506	296,145	10,412	2,319	12,731	308,876
Occupancy	150,501	768,797	1,044,245	321,044	1,028,334	3,312,921	473,990	68,297	542,287	3,855,208
Internet and information technology services	25,808	52,841	105,844	87,174	429,645	701,312	147,257	22,357	169,614	870,926
Expensed furniture and equipment	13,678	172,993	73,996	12,396	55,120	328,183	31,689	2,405	34,094	362,277
Interest and bank fees	-	50,480	-	-	-	50,480	62,304	-	62,304	112,784
Bad debt	-	-	-	-	-	-	29,435	-	29,435	29,435
Insurance	106,554	112,886	64,738	22,656	76,501	383,335	31,428	4,647	36,075	419,410
Depreciation and amortization (Notes 2I and 7)	43,136	320,806	68,993	54,123	117,170	604,228	91,777	12,277	104,054	708,282
Subtotal	4,640,936	12,205,017	7,694,534	3,775,007	9,585,315	37,900,809	7,093,509	1,121,839	8,215,348	46,116,157
Less: Cost of direct benefit to donors	-	-	-	-	-	-	-	(106,868)	(106,868)	(106,868)
TOTAL EXPENSES	$ 4,640,936	$ 12,205,017	$ 7,694,534	$ 3,775,007	$ 9,585,315	$ 37,900,809	$ 7,093,509	$ 1,014,971	$ 8,108,480	$ 46,009,289

THE FORTUNE SOCIETY, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 2,017,144	$ 14,021,026
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	988,280	708,282
Operating lease right-of-use assets amortization	(2,730,154)	-
Forgiveness of Paycheck Protection Program loan payable	-	(3,863,500)
Bad debt	148,475	29,435
Subtotal	423,745	10,895,243
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Government grants, contracts and fees receivable	(2,909,674)	(7,533,894)
Pledges receivable	(441,212)	(1,441,037)
Rent and other receivable	(272,007)	(142,506)
Prepaid expenses and other assets	245,860	(216,704)
Security deposits	(584,290)	(185,550)
Increase or (decrease) in liabilities:		
(Increase) or decrease in assets	(421,503)	1,237,593
Accrued salaries and related expenses	552,762	412,197
Accrued vacation	332,147	279,606
Deferred rent	(344,977)	(452,824)
Operating lease liability	3,074,416	-
Government refundable advances	802,814	807,766
Accrued mortgage interest	147,197	81,622
Third party reserves	1,148,454	-
Net Cash Provided by Operating Activities	1,753,732	3,741,512
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(3,447,105)	(3,747,389)
Net Cash Used in Investing Activities	(3,447,105)	(3,747,389)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments of bank line of credit	(7,900,000)	(4,000,000)
Proceeds from bank line of credit	7,900,000	4,000,000
Proceeds from loans	240,000	1,393,840
Repayment of loans	(65,887)	(185,123)
Net Cash Provided by Financing Activities	174,113	1,208,717
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(1,519,260)	1,202,840
Cash, cash equivalents and restricted cash - beginning of year	3,935,119	2,732,279
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	$ 2,415,859	$ 3,935,119
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 253,028	$ 55,500

The amounts reported as cash, cash equivalents and restricted cash above consist of the following amounts reported in the consolidated statements of financial position:

	2023	2022
Cash and cash equivalents	$ 901,916	$ 3,569,630
Restricted cash	1,513,943	365,489
Cash, cash equivalents and restricted cash	$ 2,415,859	$ 3,935,119

	2023	2022
Noncash investing and financing transactions:		
Forgiveness of note payable	$ -	$ 3,863,500

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

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The accompanying consolidated financial statements include the accounts of The Fortune Society, Inc. ("FSI"), Fortune Housing Development Fund Corporation ("HDFC"), Fortune L.P. and Fortune GP, Inc. ("GP"), collectively referred to as Fortune.

FSI, founded in 1967, educates the public about prisons, criminal justice issues and the root causes of crime through a broad array of services including education and counseling, which helps ex-offenders and young people break the cycle of repeated crime and incarceration. FSI receives most of its support from Federal, New York State and New York City governmental sources.

HDFC was formed in 2000 pursuant to the Private Housing Finance Law and the Not-for-Profit Corporation Law, both of the State of New York. The sole member of HDFC is FSI.

Fortune L.P., a New York limited partnership, was formed on June 21, 2000 to acquire, rehabilitate and manage, and maintain a 34-unit, low-income housing project located at 630 Riverside Drive, New York, New York. Effective June 17, 2017, a 99.99% limited partner interest in Fortune L.P. was assigned to HDFC. GP continues to hold a 0.01% general partner interest in Fortune L.P. See Note 14A for further discussion of this transaction. As a result of this transaction, commencing on June 17, 2017, the accounts of Fortune L.P. are included in the accompanying consolidated financial statements.

GP was formed in 2000 pursuant to the Business Corporation Law of the State of New York and serves as the general partner in Fortune L.P. (see Note 14A). GP's capital stock is owned by HDFC.

During 2008, Fortune West 140th Street Housing Development Fund Corporation (“WHDFC”) was formed pursuant to the Private Housing Finance Law and the Not-for-Profit Corporation Law, both of the State of New York. The sole member of WHDFC is FSI.

During 2008, Fortune West 140th Street G.P., Inc. (“West G.P.”) was formed pursuant to the Business Corporation Law of the State of New York and serves as the general partner to 625 West 140th Street L.P. (“West L.P.”) (see Note 14B). WHDFC owns 75% of West G.P. and Harlem Congregations for Community Improvement, Inc. (“HCCI”), a New York not-for-profit corporation, owns 25% of West G.P.

West G.P. has determined that the limited partner has substantive participating rights and therefore, West G.P. has not consolidated the operations of West L.P.

The accounts of WHDFC, including its interest in West G.P., are immaterial to the accompanying consolidated financial statements and are therefore, not included.

In October 2018, 1080 Washington Avenue Housing Development Fund Corporation (“1080 HDFC”) was formed for the purpose of developing and operating a housing project for persons of low income. The sole member of 1080 HDFC is FSI. The accounts of 1080 HDFC are immaterial to the accompanying consolidated financial statements and are therefore, not included.

FSI, HDFC, WHDFC and 1080 HDFC have been granted exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code and have been classified as organizations that are not private foundations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Consolidation*** - The consolidated financial statements have been prepared by consolidating the financial statements of FSI, HDFC, Fortune L.P. and Fortune GP, Inc. All material intercompany transactions have been eliminated in consolidation.

B. ***Basis of Accounting*** - Fortune prepares its consolidated financial statements using the accrual basis of accounting. Fortune adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. ***Consolidated Financial Statement Presentation*** - Fortune maintains its net assets under the following two classes:

- Without Donor Restrictions – represents resources available for support of Fortune's operations over which the Board has discretionary control.

- With Donor Restrictions – are assets that are subject to donor-imposed stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Fortune accounts for contributions received with donor restrictions, for which the donor-restricted purposes are met in the same period, in the net asset without donor restrictions class. In addition, contributions of unconditional promises to give with payments due in future periods are reported as with donor restrictions unless the donor expressly stipulates, or circumstances surrounding the receipt of the promise make clear that the donor intended them to be used to support activities of the current period.

D. ***Use of Estimates*** - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. ***Cash, Cash Equivalents and Restricted Cash Equivalents*** - Cash and cash equivalents consists of highly liquid instruments acquired with maturities of three months or less, except for restricted cash held in restricted and operating reserve accounts.

F. ***Support Revenue and Receivable*** - Fortune records as revenue the following types of contributions when they are received unconditionally: cash, promises to give and in-kind contributions. Promises to give and in-kind contributions are recorded at their fair values. Bequests are recorded as income when the sum is certain, the will has passed through probate and any potential challenges are deemed insignificant. Based on Fortune's historical loss experience and considering the age of its receivables, no allowance for doubtful accounts for pledges receivable was deemed necessary as of June 30, 2023 and 2022. If there are pledges receivable due in greater than one year, they are not discounted to present value, unless material. The discounts on pledges, if material, are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue.

Government and other grants and contributions are non-exchange transactions and accounted for under Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Made* (Topic 958). Government and other grants and contributions are recognized as revenue when barriers within the contract are overcome, and there is no right of return.

As of June 30, 2023 and 2022, Fortune received conditional grants and contributions accounted for under ASU 2018-08 from government agencies in the aggregate amount of approximately $87 million and $46 million, respectively. Such grants have not been recognized in the accompanying consolidated financial statements as they are for future periods and will be recognized when contract barriers are overcome. Such barriers include expending these funds in accordance with their budgets and agreements. If such services are not provided, the governmental entities are not obligated to disburse the funds allotted under the grants and contracts and Fortune may be required to return the funds already remitted.

The direct costs of special events include expenses for the benefit of the donor and are included net of contributions and revenue from special events in the accompanying consolidated statements of activities. For example, meals and facilities rental are considered direct costs of special events.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. ***Fees and Receivable*** – Principal support for the programs operated by Fortune is derived directly from various federal, state and local governmental agencies. Laws and regulations governing Medicaid and Medicare programs are subject to interpretation. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from Medicaid and Medicare programs. There are occasions when funding source reimbursements for prior years are adjusted in the current period. Fortune records receivables and revenue when earned based on established rates or contracts for services provided under certain government grants and contracts. Fortune is reimbursed based on units of service multiplied by an established billing rate. Such rates are subject to change and adjustment on the basis of review by the government agencies responsible for such funding. Revenue is reported at the amount that reflects the consideration to which Fortune expects to be entitled in exchange for providing the contracted services.

Generally, Fortune bills the government entities, third-party payors and individuals after the services are performed or when Fortune has completed its portion of the contract. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by Fortune in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Fortune measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the stipulations.

All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of June 30, 2023 and 2022. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. Fortune determines the transaction price based on established rates or contracts for services provided.

H. ***Allowance for Doubtful Accounts*** – Fortune determines whether an allowance for uncollectible receivables should be provided for government grants/contracts receivable, pledges, notes receivable, fees for service and other receivable. As of June 30, 2023 and 2022, Fortune determined an allowance of $107,527 and $429,348, respectively, was necessary for government grants/contracts receivables and no allowance was necessary for pledges receivable. As of June 30, 2023 and 2022, Fortune determined an allowance of $1,570,947 and $1,010,662, respectively, was necessary for fees for service and other receivable, government grants/contracts receivables and no allowance was necessary for pledges receivable. In addition, during 2020, FSI reserved 100% of the note receivable due from 625 West 140th Street LP. The gross note receivable amounted to $2,039,390 as of June 30, 2023 and 2022. Such determinations are based on management's assessment of the aged basis of its receivables, current economic conditions, creditworthiness of its donors, historical experience, and collections subsequent to year end.

I. ***Property and Equipment*** - Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Fortune capitalizes property and equipment with a cost of $5,000 or more and a useful life greater than one year. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lease term or the useful life of the asset, whichever is less. Purchases of equipment, reimbursed by governmental funding sources, and where the contractual agreement has specified that title to these items rests with the government funding sources, have been capitalized. Management believes this is realistic since the funding sources historically have not reclaimed these purchases.

Management reviews its investments in property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property and equipment may not be recoverable. If an impairment loss has occurred, the amount of impairment loss is measured based on the excess of the asset's carrying value over its fair value. No impairment losses were recognized during the years ended June 30, 2023 and 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. ***Government Refundable Advances*** - Government refundable advances represent amounts received by Fortune under governmental contracts for which Fortune has not yet provided the services. To the extent amounts received exceed amounts spent, Fortune establishes advances from government funders. Contract activities and outlays are subject to audit and acceptance by the funding agency and as a result of such audit, adjustments could be required.

K. ***In-kind Contributions*** - Donated services are recognized in the consolidated financial statements if the services enhance or create nonfinancial assets or require specialized skills and are provided by individuals possessing those skills. Fortune receives donated legal services that are valued at the standard market rates that would have been incurred by Fortune to obtain such services. For the years ended June 30, 2023 and 2022, Fortune recorded income and expenses for donated legal services valued at $517,528 and $93,126, respectively. These services were valued at fair value and reflected in the consolidated statements of functional expenses in other programs activities for the years ended June 30, 2023 and 2022, respectively.

Noncash contributions in-kind for the year ended June 30, 2023 consisted of the following:

Nonfinancial Asset		Amount	Used in Programs/Activities	Donor-imposed Restriction	Far Value Techniques
Donated legal services	$	517,528	Other Programs Activities	No donor restrictions	Based on current rates of legal services provided by law firm

Noncash contributions in-kind for the year ended June 30, 2022, consisted of the following:

Nonfinancial Asset		Amount	Used in Programs/Activities	Donor-imposed Restriction	Far Value Techniques
Donated legal services	$	93,126	Other Programs Activities	No donor restrictions	Based on current rates of legal services provided by law firm

L. ***Functional Expenses*** - The costs of providing various programs and other activities of Fortune have been summarized on a functional basis in the consolidated statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits and payroll taxes are allocated based on estimates of time and effort.
- Occupancy, information technology, insurance, depreciation and amortization, office expenses and other expenses are allocated, when appropriate, on the basis of employee headcount for each program and supporting activity.
- Client food and related expenses are allocated on the basis of meals served.

The basis on which costs are allocated are evaluated annually, or more often when new programs are added or employee headcount changes significantly. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of Fortune.

M. ***Special Events Direct Costs*** – The direct costs of special events consist of meals and facilities rental which are expenses incurred for the benefit of the donor.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. ***Adoption of New Accounting Standard -*** **Leases** - Effective July 1, 2022, Fortune adopted changes required by FASB Accounting Standards Codification ("ASC") Topic 842, *Leases*, using the modified retrospective method which requires that operating leases be included as operating lease right-of-use (ROU) assets, and operating lease liabilities on the accompanying consolidated statements of financial position as of the date of adoption. Fortune utilized all practical expedients available however, the expedients did not have a material effect on the determination of the initial lease liability and right of use assets.

As a result-of-the adoption, Fortune determined the initial lease liability and right-of-use asset to be $7,174,334 and $7,519,311, respectively. The difference between the lease liability and right-of-use asset is $344,977 which was the deferred rent reported under legacy GAAP. The adoption of Topic 842 had no effect on the change in net assets as previously reported. During the year ended June 30, 2023, Fortune executed several modifications which resulted in additional ROU assets and liabilities of $21,568,084 and $21,544,584, respectively.

O. ***Reclassifications*** – Certain items in the June 30, 2022 consolidated financial statements have been reclassified to conform with the June 30, 2023 presentation. These changes had no impact on the net assets previously reported.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Fortune regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Fortune has various sources of liquidity at its disposal, including cash and cash equivalents, receivables and a line of credit that provides funding for operations as needed. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Fortune considers all expenditures related to its ongoing activities. In addition to financial assets available to meet general expenditures over the next 12 months, Fortune expects and anticipates collecting sufficient revenue to cover general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, include the following as of June 30:

	2023	2022
Cash and cash equivalents	$ 901,916	$ 3,569,630
Government grants/contracts receivable, net	21,981,745	19,220,546
Pledges receivable due in one year	3,119,837	1,995,491
Rent and other receivable, net	568,778	296,771
	$ 26,572,276	$ 25,082,438

In addition, Fortune has a line of credit totaling $7,000,000 with a financial institution (Note 8), which can be drawn upon as needed. As of June 30, 2023 and 2022, the line of credit had outstanding balances of $6,750,000 and $0, respectively.

NOTE 4 - RESTRICTED CASH

Restricted cash comprised the following as of June 30:

	2023	2022
Operating reserve	$ 1,469,769	$ 321,315
Replacement reserve	44,174	44,174
	$ 1,513,943	$ 365,489

Under the mortgage and other regulatory agreements, Fortune L.P. is required to maintain operating and replacement reserves. As of the year ended June 30, 2023 and 2022, Fortune L.P. holds an operating reserve of $1,469,769 and $321,315, and a replacement reserve of $44,174, respectively. For the year ended June 30, 2023 and 2022 Fortune holds a replacement reserve of $44,174.

NOTE 5 - CONCENTRATIONS

A. Fortune receives major funding primarily from government sources to provide program services. For the years ended June 30, 2023 and 2022, such funding approximated 87% and 62%, respectively, of total public support and revenue. For the year ended June 30, 2023, 71% of government grants, contracts and fees receivable is due from two government sources. For the year ended June 30, 2022, 65% of government grants, contracts and fees receivable is due from one government source.

B. Cash and cash equivalents and restricted cash that potentially subject Fortune to a concentration of credit risk include cash accounts with two banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits of $250,000 by approximately $1,698,000 and $3,765,000 as of June 30, 2023 and 2022, respectively. This excess includes outstanding checks.

NOTE 6 - PLEDGES RECEIVABLE

Pledges receivables consists of the following as of June 30:

	2023	2022
Due in less than one year	$ 3,119,837	$ 1,995,491
One to five years	502,827	1,185,961
	$ 3,622,664	$ 3,181,452

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of June 30:

	2023	2022	Estimated Useful Lives
Land	$ 992,203	$ 992,203	
Leasehold improvements	5,776,208	4,428,952	8-15 years
Building and improvements	9,066,037	9,066,037	27.5-39 years
Office equipment and furniture	4,625,378	3,601,725	5-10 years
Vehicles	214,193	214,193	5 years
Construction in progress	3,639,701	2,563,505	
Total cost	24,313,720	20,866,615	
Less: accumulated depreciation and amortization	(8,309,899)	(7,321,619)	
Net book value	$ 16,003,821	$ 13,544,996	

Depreciation and amortization expense amounted to $988,280 and $708,282 for the years ended June 30, 2023 and 2022, respectively. During the year ended June 30, 2022, Fortune disposed of fully depreciated assets amounting to $315,229. There were no disposals for the year ended June 30, 2023.

Construction in progress consists of initial costs related to the Castle III project (See Note 9B) with an estimated cost of completion of approximately $40 million and an estimated completion date of July 2026. Fortune plans on funding the project through various financing options including, but not limited to, Low-Income Housing Tax Credits, funding from the Homeless Housing and Assistance Program, the Supportive Housing Opportunities Program and conventional loans. On March 8, 2024, Fortune obtained financing for the project from various sources totaling approximately $63 million.

On September 10, 2021, Fortune entered into an agreement for the purchase of a property in New York, NY for the Castle IV project. The total purchase price for the property is estimated at $11 million. As of June 30, 2023, Fortune made an initial deposit of $600,000. The closing date of the purchase is scheduled for December 2024.

NOTE 8 - BANK LINE OF CREDIT PAYABLE

Fortune has a revolving line of credit with a bank with a maximum borrowing limit of $5,000,000, interest rate of Prime rate plus .5% and expiration date of December 31, 2022. There is a “cleanup” requirement to bring this line to an amount not greater than $750,000 once a year for a 30-day period. Borrowings are secured by all of Fortune’s accounts receivable and other assets. Effective January 1, 2023, the line of credit was increased to $7,000,000 with an expiration date of December 31, 2023. The line was further extended to December 31, 2024, by an agreement dated December 27, 2023.

As of June 30, 2023 and 2022, the prime rate recognized by most major banking institutions was 8.25% and 3.25%, respectively. As of June 30, 2023 and 2022, there were no borrowings on the line of credit. As of October 28, 2024, the outstanding balance on the line of credit was $6,750,000.

NOTE 9 - LOANS PAYABLE

A. On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (“SBA”). If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven.

   FSI applied for this loan through an SBA authorized lender. The loan, amounting to $3,863,500, was approved on April 18, 2020 and funded on April 20, 2020. If forgiveness had not been approved, the loan would have borne interest at a rate of 1% and would have matured on April 18, 2022

   FSI applied for and received full forgiveness on the loan in April 2022. Forgiveness of debt is included in the accompanying consolidated statement of activities for the year ended June 30, 2022.

B. On January 27, 2020, Leviticus 25:23 Alternative Fund, Inc. confirmed its commitment to FSI to extend a predevelopment loan of $1,000,000, which will support the new construction of Castle III, a 68,000 sq. ft. affordable housing building located in East Harlem, that will provide 79 supportive and affordable apartments. The maximum borrowing on the loan was increased by $880,000 in October 2021. The loan bears interest at a rate of 5.26% per annum on the original loan and 5.5% on the extended amount, fixed for the entire loan term. The term of the loan will commence on the closing date of the loan and will end on the earlier to occur of (i) the closing of construction financing on Castle III, or (ii) the third anniversary of the first day of the first month following the closing date. As of both years ending June 30, 2023 and 2022, the outstanding balance amounted to $1,715,778.

C. In October 2019, FSI obtained a loan amounting to $515,000 from Enterprise Community Partners, Inc. for predevelopment expenses associated with Castle III. The loan bears simple interest at a rate of 4% per annum and matures on the last calendar day of the month of the thirty-six-month anniversary of the date of the promissory note. The loan was extended subsequent to year end, and the new maturity date is June 30, 2024 with an interest rate of 4.25%.

D. In December 2019, FSI was approved for a $120,000 recoverable grant from Deutsche Bank. As of June 30, 2022, $120,000 was received by FSI and recorded as a loan payable to Deutsche Bank. The recoverable grant will be repaid in three equal installments beginning in fiscal 2023, without interest. In November 2022, FSI was approved for a second recoverable grant in the amount of $120,000 from Deutsche Bank. As of June 30, 2023, $40,000 was received by FSI and recorded as loan payable. The recoverable grant will be repaid in three equal installments beginning in fiscal 2026, without interest.

   Imputed interest was not recorded since it was immaterial to the consolidated financial statements.

E. In November 2022, Fortune executed an agreement with FCJ to establish The Fortune Society Collective Donor Advised Fund Account (the “Fund”) in the amount of $300,000 at FJC. The fund allows current or future donors with donor advised fund accounts at FJC to participate in a program on a pari passu basis with The Fortune Society.

NOTE 9 - LOANS PAYABLE

It is the intention of FJC and Fortune that all distributions from the Fund shall be matched proportionately with loans supported by notes, in which Fortune is the borrower from the Fund account at FJC, funded by FJC existing or new donors. The notes shall be evidenced by promissory notes bearing interest at 1% and due five years from the date of the first advance. In May 2023, FSI executed the first redemption from the Fund in the amount of $200,000 to be used in connection with a development at 258 West 97th Street, Manhattan.

Approximate future annual principal payments are as follows for the years ending after June 30, 2023:

2024	$ 1,431,000
2025	40,000
2026	880,000
2027	-
2028	200,000
	$ 2,551,000

NOTE 10 - MORTGAGE PAYABLE

As discussed in Notes 1 and 14, the accounts of Fortune L.P. are included in the accompanying consolidated financial statements as a result of a 99.99% limited partnership interest in Fortune L.P. being assigned to Fortune HDFC, effective June 17, 2017. Fortune L.P. is obligated by a mortgage note held by the New York State Homeless Housing and Assistance Corporation ("HHAC") in the amount of $5,048,046. The note accrues interest at 1% per year and all principal and interest (which would amount to approximately $6.6 million) is payable on July 28, 2030. The mortgage is collateralized by the low-income housing project property located at 630 Riverside Drive operated by Fortune L.P. The mortgage and accrued interest remain a liability until the end of the mortgage term, when a formal release would be issued by HHAC, assuming Fortune operates the property in accordance with the terms of the agreement.

Under the mortgage and other regulatory agreements, Fortune L.P. is required to maintain operating and replacement reserves. See Note 4.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

A. Pursuant to Fortune's contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of Fortune involving transactions relating to these contracts. The accompanying consolidated financial statements make no provision for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowances would be immaterial.

B. Fortune leases office space, several scattered site buildings and apartments in New York City at various terms under non-cancelable agreements that are considered operating leases, expiring at various dates through 2037. In addition, Fortune leases various equipment and vehicles at various lease terms under long-term non-cancelable operating leases, expiring at various dates through 2026.

   As disclosed in Note 2N, Fortune adopted Topic 842 as of July 1, 2022. Operating leases had no impact to the prior year consolidated statement of financial position or its change in net assets. Comparative information provided in the following paragraphs was determined using the accounting principles in effect as of and for the year ended June 30, 2022 (i.e., ASC 840). No comparative information is provided for the amounts reported on the consolidated statement of financial position as of June 30, 2022 since Fortune used the modified retrospective method of transition that does not require restating the prior period.

   As of June 30, 2023, the operating lease ROU asset and lease liability had a balances of $24,298,238 and $24,642,500, respectively, as shown in the consolidated statements of financial position. Total operating lease cost for the year ended June 30, 2023 was $5,029,459. Total cash paid by Fortune in the determination of the lease liability was $5,004,375 for the year ended June 30, 2023. As of June 30, 2023, the weighted average of the remaining lease term is 4.95 years, and the weighted average discount rate is 3.7%.

NOTE 11 - COMMITMENTS AND CONTINGENCIES (Continued)

Future minimal rental payments under these leases for the years ending subsequent to June 30, 2023 are as follows:

2024	$	6,990,340
2025		6,080,910
2026		4,691,861
2027		2,964,000
2028		2,894,722
Thereafter		3,191,250
		26,813,083
Less: Present value discount		(2,170,583)
Operating lease liability	$	24,642,500

C. Fortune is a party to various lawsuits or complaints generally arising in the ordinary course of business. Fortune believes it has adequate insurance to cover any material damages and accordingly, such litigation will not have a material adverse effect on its financial condition.

NOTE 12 - INCOME TAXES

Management believes Fortune has no uncertain tax positions as of June 30, 2023 and 2022 in accordance with FASB ASC Topic 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

As a limited partnership, the taxable income and losses of Fortune L.P. pass through to, and are reportable by, the partners. As such, there is no provision for taxes for Fortune L.P.

NOTE 13 - PENSION PLAN

Fortune has a qualified defined contribution pension plan covering all eligible full-time employees. Fortune is required to match employee contributions in accordance with the pension plan agreement. Fortune’s maximum contribution is $1,500 per year per employee. Pension expense for the years ended June 30, 2023 and 2022 amounted to $283,917 and $245,000, respectively.

NOTE 14 - INVESTMENTS IN LIMITED PARTNERSHIPS

A. Fortune L.P.

During 2000, Fortune invested in Fortune L.P. (a limited partnership formed under the laws of the State of New York) for the purpose of constructing and operating a rental housing project. Fortune L.P. operates a 34-unit rental housing project for formerly incarcerated low-income individuals located at 630 Riverside Drive in New York City. This project was allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the project as to occupant eligibility, unit gross rent and other requirements. The project was required to meet the provisions of the regulations for 15 years in order to qualify for the tax credits. This tax credit compliance period terminated in 2016. GP is the general partner of Fortune L.P. and has a 0.01% interest in Fortune L.P. GP transferred real property (net of a mortgage) in satisfaction of its capital contribution obligation.

Effective June 17, 2017, the former limited partner of Fortune L.P. assigned a 99.99% limited partnership interest to HDFC, for no consideration. As a result of this transaction, HDFC, which also owns all of the capital stock of GP, now controls Fortune L.P. Therefore, the accounts of Fortune L.P. are included in the accompanying consolidated financial statements. Fortune HDFC recorded an investment interest in Fortune L.P. based on the fair values of Fortune L.P.’s assets and liabilities at June 17, 2017, resulting in the recognition of a “contribution received in acquisition of additional interest in Fortune L.P.” of $3,037,059 in 2017.

NOTE 14 - INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

Pursuant to a regulatory agreement between Fortune L.P. and the New York City Housing Preservation and Development Agency, the property must be maintained as low-income housing for an additional 15-year period through 2031 after the tax compliance period that expired in 2016. The contribution received in the amount of $3,037,059, resulting from the Fortune L.P. acquisition, has been reflected in net assets with donor restrictions, in recognition of these restrictive requirements (see Note 16).

B. 625 West 140th Street, L.P.

During December 2008, Fortune invested in West L.P. (a limited partnership formed under the laws of the State of New York) for the purpose of acquiring, developing and operating a mixed-unit project consisting of 114 residential units, and a related community facility, all of which will be rented to low-income individuals and families. West L.P. acquired land from FSI for the project. As described in Note 1, FSI is the sole member of WHDFC, which owns 75% of the equity of West G.P. West G.P. is the general partner of West L.P. West G.P. has a 0.01% financial interest in West L.P. West G.P.'s capital contribution obligation was $10. As of June 30, 2023 and 2022, West G.P.'s investment in West L.P. is accounted for under the equity method and is deemed immaterial to the accompanying consolidated financial statements.

West L.P.'s partnership agreement provides for various obligations and/or guarantees by FSI and/or West G.P. Effective December 23, 2008, the partnership established a guaranty reserve, which is limited to $375,000, for the purpose of funding any operating deficits. The guaranty reserve funds are held by West L.P. As of June 30, 2023 and 2022, no amounts have been withdrawn from the guaranty reserve by the partnership to fund any operating deficits.

On December 23, 2008, FSI executed two promissory notes with West L.P. in the amounts of $1,500,000 and $539,390, and during 2009, advanced the sum total of the two amounting to $2,039,390 to West L.P. The underlying $2,039,390 was received from four funders and is considered grants by those funders with certain stipulations that the property be used for mission-based activities for not less than 15 years from the date the certificate of occupancy is issued, as prescribed in the grant agreements between those funders and FSI. If the property is used according to the stipulations, the grants are not repayable to the funders. Since the property is expected to be used for mission-based activities in accordance with these stipulations, the grant funding was reflected in net assets without restrictions. The promissory notes that FSI executed with West L.P. are not self-amortizing and are secured by mortgages on the property located at 625 West 140th Street in New York City. The notes call for repayment of principal and accrued interest (at the rate of 0.5% per year) by the 33rd anniversary of the dates of the promissory notes, which is December 2041.

One of the underlying grants that FSI received in the amount of $1,500,000 was loaned to West L.P. Under the terms of the grant to FSI, if a loan is made and interest is charged, any interest received by FSI must be remitted to the funder. No principal or interest was paid by West L.P. to FSI during the years ended June 30, 2023 and 2022. It is at least reasonably possible that some or all of the underlying assumptions related to collectability of the notes might change over time, which could have a material impact on FSI's ability to collect the full amount due. At June 30, 2023 and 2022, management deemed the note receivable balance to be uncollectible and provided a 100% allowance.

C. During April 2010, FSI entered a shareholders' agreement with Harlem Congregations for Community Improvement, Inc. (HCCI), making FSI a 25% shareholder in Erbograph Housing Lending Corp. (EHLC), a New York corporation. EHLC, established by HCCI, receives capital contributions from HCCI in the form of loans. The capital contributions are funded from proceeds HCCI receives from Housing and Urban Development and other grants. EHLC, in turn, loans these funds to a limited partnership formed by HCCI for the purpose of developing a 65-unit low-income housing building for seniors. FSI has no ownership interest in the limited partnership. FSI contributed $100 of capital to EHLC and there will be no further value ascribed to FSI's interest in EHLC under the terms of the shareholders' agreement.

NOTE 15 - GOVERNMENT GRANTS AND FEES

Government grants and fees amount to the following as of December 31:

	2023	2022
NYC Mayor's Office Criminal Justice	$ 34,271,807	$ 15,887,033
NYC Department of Health and Mental Hygiene	3,883,127	3,648,510
NYS Office of Alcoholism and Substance Abuse Services	2,972,973	2,493,944
NYS Office of Temporary and Disability Assistance	2,938,383	2,064,834
NYC Department of Corrections	2,443,896	2,635,313
U.S. Department of Housing and Urban Development	1,556,868	1,483,820
NYC Department of Homeless Services	1,394,819	-
Public Health Solutions	1,378,045	1,157,794
NYS Division of Criminal Justice Services	1,370,106	1,714,116
NYS Department of Health	1,081,531	1,165,336
U.S. Department of Health and Human Services	816,466	538,230
NYC Department of Youth and Community Development	515,356	442,201
NYC Human Resources Administration	287,188	316,062
NYC Department of Probation	125,068	77,897
NYC Small Business Services	84,095	78,323
New York Offce of Children and Family Services	72,704	178,137
NYC Department of Cultural Affairs	31,550	-
NYS Department of State	30,626	89,725
New York City Council	15,000	16,000
NYC Civic Engagement Commission	12,500	-
NYC Health and Hospitals Corporation	-	600,000
U.S. Department of Agriculture	-	67,602
Health Research Incorporated	-	40,950
New York State Council on the Arts	-	13,681
NYS Dept of Environmental Conservation	-	1,287
Total	55,282,108	34,710,795
Fees for Service:		
Medicaid	1,809,734	1,869,827
Total	1,809,734	1,869,827
Total Government Grants and Fees	$ 57,091,842	$ 36,580,622

NOTE 16 - RELATED-PARTY TRANSACTIONS

Social service fees of approximately $506,600 and $491,900 from West L.P. are reflected in other income in the accompanying consolidated statements of activities for the years ended June 30, 2023 and 2022, respectively.

West L.P. is considered a related-party as further described in Note 1.

NOTE 17 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30:

	2023	2022
Time and purpose restricted	$ 6,662,968	$ 5,625,460
Time and purpose restricted – low-income housing tax credit partnership (see Note 14)	3,037,059	3,037,059
	$ 9,700,027	$ 8,662,519

Net assets with donor restrictions of $2,699,290 and $2,123,293 were released from restrictions for the years ended June 30, 2023 and 2022, respectively, as a result of donor-imposed purpose restrictions being met.

NOTE 18 - SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through October 28, 2024, the date the consolidated financial statements were available to be issued.

THE FORTUNE SOCIETY, INC. AND AFFILIATES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023

	The Fortune Society, Inc.	Fortune HDFC	Eliminations	Consolidated Total 2023
ASSETS				
Cash and cash equivalents (Notes 2D and 4B)	$ 891,079	$ 10,837	$ -	$ 901,916
Government grants, contracts and fees receivable, net (Notes 2F, 4A and 5)	21,966,493	15,252	-	21,981,745
Pledges receivable (Note 2F)	3,622,664	-	-	3,622,664
Rent and other receivable, net	568,778	-		568,778
Prepaid expenses and other assets	686,609	34,717	-	721,326
Investment in Fortune LP	-	84,795	(84,795)	-
Restricted cash (Notes 2D and 10)	1,148,454	365,489	-	1,513,943
Operating lease right-of-use assets	24,298,238	-	-	24,298,238
Property and equipment, net (Notes 2E and 7)	8,130,646	7,873,175		16,003,821
Due from controlled entities	824,082	25,751	(849,833)	-
Security deposits	1,040,674	-	-	1,040,674
TOTAL ASSETS	$ 63,177,717	$ 8,410,016	$ (934,628)	$ 70,653,105
LIABILITIES				
Accounts payable and accrued expenses	$ 3,060,218	$ 33,693	$ -	$ 3,093,911
Accrued salaries and related expenses	1,649,281	-	-	1,649,281
Accrued vacation	1,410,404	-	-	1,410,404
Government refundable advances and reserves (Note 2J)	2,324,042	-	-	2,324,042
Due to controlled entities	-	918,601	(918,601)	-
Bronx pro reserves	1,148,454	-		1,148,454
Deferred rent (Notes 2K and 6)	-	-	-	-
Operating lease liability	24,642,500	-	-	24,642,500
Loans payable (Note 9)	2,550,778	-	-	2,550,778
Mortgage payable (Note 10)	-	5,048,046	-	5,048,046
Accrued mortgage interest (Note 10)	135,092	1,079,106	-	1,214,198
TOTAL LIABILITIES	36,920,769	7,079,446	(918,601)	43,081,614
COMMITMENTS AND CONTINGENCIES (Note 11)				
NET ASSETS (Note 2C)				
Without donor restrictions	19,593,980	(1,722,516)	-	17,871,464
With donor restrictions (Note 17)	6,662,968	3,037,059	-	9,700,027
TOTAL NET ASSETS	26,256,948	1,314,543	-	27,571,491
TOTAL LIABILITIES AND NET ASSETS	$ 63,177,717	$ 8,393,989	$ (918,601)	$ 70,653,105

See independent auditors' report

THE FORTUNE SOCIETY, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	For the Year Ended June 30, 2023							
	The Fortune Society, Inc.			Fortune HDFC				
	Without Donor Restrictions	With Donor Restrictions	The Fortune Society, Inc. Total	Without Donor Restrictions	With Donor Restrictions	Fortune HDFC Total	Eliminations	Consolidated Total 2023
OPERATING ACTIVITIES:								
PUBLIC SUPPORT AND REVENUE:								
Contributions and revenue from special events (Note 2F)	$ 637,304	$ -	$ 637,304	$ -	$ -	$ -	$ -	$ 637,304
Direct expenses from special events	(129,072)	-	(129,072)	-	-	-	-	(129,072)
Special events, net	508,232	-	508,232	-	-	-	-	508,232
Government grants and fees (Notes 2F, 4A, 6, 11A and 15)	57,091,842	-	57,091,842	-	-	-	-	57,091,842
Foundation grants, contributions and other (Note 2F)	2,376,796	3,736,798	6,113,594	-	-	-	-	6,113,594
In-kind contributions (Note 2H)	517,528	-	517,528	-	-	-	-	517,528
Other income (Note 16)	1,156,831	-	1,156,831	164,392	-	164,392	-	1,321,223
Net assets released from restrictions (Notes 2C and 17)	2,699,290	(2,699,290)	-	-	-	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUE - WITHOUT DONOR RESTRICTIONS	64,350,519	1,037,508	65,388,027	164,392	-	164,392	-	65,552,419
EXPENSES: (Note 2I)								
Program services	52,684,061	-	52,684,061	579,506	-	579,506	-	53,263,567
Management and general	9,012,716	-	9,012,716	60,824	-	60,824	-	9,073,540
Fundraising	1,198,168	-	1,198,168	-	-	-	-	1,198,168
TOTAL OPERATING EXPENSES	62,894,945	-	62,894,945	640,330	-	640,330	-	63,535,275
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,455,574	1,037,508	2,493,082	(475,938)	-	(475,938)	-	2,017,144
CHANGE IN NET ASSETS (Note 6)	1,455,574	1,037,508	2,493,082	(475,938)	-	(475,938)	-	2,017,144
Net Assets - Beginning of Year	18,061,979	5,625,460	23,687,439	(1,246,578)	3,037,059	1,790,481	-	25,477,920
NET ASSETS - END OF YEAR	$ 19,517,553	$ 6,662,968	$ 26,180,521	$ (1,722,516)	$ 3,037,059	$ 1,314,543	$ -	$ 27,495,064