



**HOMEWARD BOUND  
OF WESTERN NORTH CAROLINA, INC.  
AND SUBSIDIARIES**

Asheville, North Carolina

Consolidated Financial Statements and  
Supplementary Information

Years Ended June 30, 2022 and 2021

**HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC.  
AND SUBSIDIARIES**

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**HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC.  
AND SUBSIDIARIES**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-3
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	4
Consolidated Statement of Activities - 2022	5
Consolidated Statement of Activities - 2021	6
Consolidated Statement of Functional Expenses - 2022	7
Consolidated Statement of Functional Expenses - 2021	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10-26
SUPPLEMENTARY INFORMATION	
Consolidating Statement of Financial Position	27
Consolidating Statement of Activities	28
COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29-30
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	31-33
Schedule of Expenditures of Federal and State Awards	34-36
Schedule of Findings and Questioned Costs	37-38
Corrective Action Plan	39
Summary Schedule of Prior Audit Findings	40

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Homeward Bound of Western North Carolina, Inc. and Subsidiaries

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Homeward Bound of Western North Carolina, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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 consolidated financial statements present fairly, in all material respects, the financial position of Homeward Bound of Western North Carolina, Inc. and Subsidiaries as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Homeward Bound of Western North Carolina, Inc. and Subsidiaries 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 audit opinions.

#### ***Responsibilities of Management for the 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 Homeward Bound of Western North Carolina, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the 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 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 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 judgement made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- 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 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 Homeward Bound of Western North Carolina, Inc. and Subsidiaries' 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Homeward Bound of Western North Carolina, Inc. and Subsidiaries' 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.

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis and are not required parts of the consolidated financial statements. In addition, the accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 March 24, 2023, on our consideration of Homeward Bound of Western North Carolina, Inc. and Subsidiaries' 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 Homeward Bound of Western North Carolina, Inc. and Subsidiaries' 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 Homeward Bound of Western North Carolina, Inc. and Subsidiaries' internal control over financial reporting and compliance.

*CARTER, P.C.*

Asheville, North Carolina  
March 24, 2023

**HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC.  
AND SUBSIDIARIES**

Consolidated Statements of Financial Position  
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 3,440,274	\$ 3,768,061
Restricted	26,987	14,980
Grants receivable	2,491,670	1,096,825
Other receivables	43,466	7,784
Promises to give, current portion	944,468	215,676
Deposit		75,000
Prepaid expenses	<u>14,088</u>	
Total current assets	6,960,953	5,178,326
Investments		15,224
Promises to give, net of current portion	745,526	2,529
Property and equipment, net	<u>10,221,348</u>	<u>2,417,304</u>
Total assets	<u>\$ 17,927,827</u>	<u>\$ 7,613,383</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Current portion of obligation under capital lease	\$ 3,733	\$ 6,189
Current maturities of long-term debt	16,905	15,061
Accounts payable	613,330	186,214
Accrued expenses	177,044	148,726
Deferred revenue	<u>290,827</u>	<u>2,014,980</u>
Total current liabilities	1,101,839	2,371,170
Obligation under capital lease, net of current portion		3,733
Long-term debt, net of current maturities	<u>702,551</u>	<u>802,235</u>
Total liabilities	<u>1,804,390</u>	<u>3,177,138</u>
Net assets:		
Without donor restrictions	2,509,515	3,059,823
With donor restrictions	<u>13,613,922</u>	<u>1,376,422</u>
Total net assets	<u>16,123,437</u>	<u>4,436,245</u>
Total liabilities and net assets	<u>\$ 17,927,827</u>	<u>\$ 7,613,383</u>

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

**HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC.  
AND SUBSIDIARIES**

Consolidated Statement of Activities  
Year Ended June 30, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>Public support and other revenues</b>			
Grants	\$ 279,685	\$ 12,280,129	\$ 12,559,814
Contributions	1,115,275	5,290,677	6,405,952
In-kind contributions	341,993		341,993
Rental income	12,383		12,383
Interest	2,876		2,876
Other	12,277		12,277
Net assets released from restrictions	<u>5,333,306</u>	<u>(5,333,306)</u>	
Total public support and other revenues	<u>7,097,795</u>	<u>12,237,500</u>	<u>19,335,295</u>
<b>Expenses</b>			
Program services	6,741,149		6,741,149
Supporting services	<u>890,337</u>		<u>890,337</u>
Total expenses	<u>7,631,486</u>		<u>7,631,486</u>
Increase (decrease) in net assets before other loss	(533,691)	12,237,500	11,703,809
<b>Other loss</b>			
Net losses on investments	<u>(16,617)</u>		<u>(16,617)</u>
Increase (decrease) in net assets	(550,308)	12,237,500	11,687,192
Net assets at beginning of year	<u>3,059,823</u>	<u>1,376,422</u>	<u>4,436,245</u>
Net assets at end of year	<u>\$ 2,509,515</u>	<u>\$ 13,613,922</u>	<u>\$ 16,123,437</u>

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



**HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC.  
AND SUBSIDIARIES**

Consolidated Statement of Activities  
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public support and other revenues</b>			
Grants	\$ 203,213	\$ 5,328,349	\$ 5,531,562
Contributions	1,243,391	939,039	2,182,430
In-kind contributions	190,623		190,623
Rental income	15,547		15,547
Interest	3,788		3,788
Other	7,999		7,999
Net assets released from restrictions	<u>5,277,035</u>	<u>(5,277,035)</u>	
Total public support and other revenues	<u>6,941,596</u>	<u>990,353</u>	<u>7,931,949</u>
 <b>Expenses</b>			
Program services	5,995,447		5,995,447
Supporting services	<u>950,712</u>		<u>950,712</u>
Total expenses	<u>6,946,159</u>		<u>6,946,159</u>
 Increase (decrease) in net assets	(4,563)	990,353	985,790
 Net assets at beginning of year	<u>3,064,386</u>	<u>386,069</u>	<u>3,450,455</u>
 Net assets at end of year	<u>\$ 3,059,823</u>	<u>\$ 1,376,422</u>	<u>\$ 4,436,245</u>

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

**HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC.  
AND SUBSIDIARIES**

Consolidated Statement of Functional Expenses  
Year Ended June 30, 2022

	Program Services			Supporting Services			Total
	Homeless Services	Supportive Housing	Total Program Services	Management & General	Fundraising	Total Supporting Services	
Salaries	\$ 634,163	\$ 2,184,443	\$ 2,818,606	\$ 175,355	\$ 137,791	\$ 313,146	\$ 3,131,752
Payroll taxes	48,715	147,000	195,715	26,641	20,337	46,978	242,693
Benefits	68,875	174,957	243,832	29,330	18,931	48,261	292,093
Total salaries and related	751,753	2,506,400	3,258,153	231,326	177,059	408,385	3,666,538
Utilities	33,847	95,898	129,745	5,136	1,525	6,661	136,406
Automotive expenses		18,776	18,776	4,137		4,137	22,913
Maintenance and repairs	15,697	40,753	56,450	4,809		4,809	61,259
Client assistance	121,111	2,539,676	2,660,787	806	64	870	2,661,657
Professional fees	2,337	42,410	44,747	65,346	2,336	67,682	112,429
Administrative	19,582	45,922	65,504	22,027	24,680	46,707	112,211
Security	51,450	125,157	176,607				176,607
Rent	1,904	116,112	118,016	25,420	1,452	26,872	144,888
Public relations		1,940	1,940		40,155	40,155	42,095
Insurance	5,111	32,343	37,454	51,005	203	51,208	88,662
Licenses and fees		5,663	5,663		63	63	5,726
Dues and subscriptions		1	1	5,028	1,490	6,518	6,519
Staff development	15,772	10,473	26,245	23,709	1,223	24,932	51,177
Printing	884	32,359	33,243	2,792	31,557	34,349	67,592
Miscellaneous		492	492	1,915		1,915	2,407
Bad debt					152,841	152,841	152,841
Total expenses before depreciation and amortization and interest	1,019,448	5,614,375	6,633,823	443,456	434,648	878,104	7,511,927
Depreciation and amortization	41,917	36,947	78,864	10,479		10,479	89,343
Interest	7,016	21,446	28,462	1,754		1,754	30,216
Total expenses	<u>\$ 1,068,381</u>	<u>\$ 5,672,768</u>	<u>\$ 6,741,149</u>	<u>\$ 455,689</u>	<u>\$ 434,648</u>	<u>\$ 890,337</u>	<u>\$ 7,631,486</u>

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

**HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC.  
AND SUBSIDIARIES**

Consolidated Statement of Functional Expenses  
Year Ended June 30, 2021

	Program Services			Supporting Services			Total
	Homeless Services	Supportive Housing	Total Program Services	Management & General	Fundraising	Total Supporting Services	
Salaries	\$ 693,465	\$ 1,538,212	\$ 2,231,677	\$ 440,694	\$ 232,197	\$ 672,891	\$ 2,904,568
Payroll taxes	53,549	120,330	173,879	28,847	18,448	47,295	221,174
Benefits	56,221	167,980	224,201	1,972	22,271	24,243	248,444
Total salaries and related	803,235	1,826,522	2,629,757	471,513	272,916	744,429	3,374,186
Utilities	23,399	41,337	64,736	2,293	1,316	3,609	68,345
Automotive expenses	75	5,988	6,063	291		291	6,354
Maintenance and repairs	11,086	23,556	34,642	2,696		2,696	37,338
Client assistance	268,354	2,668,762	2,937,116	1,811		1,811	2,938,927
Professional fees	8,992	27,936	36,928	61,258		61,258	98,186
Administrative	26,252	36,699	62,951	25,897	5,748	31,645	94,596
Rent	4,335	78,529	82,864	43,055	1,053	44,108	126,972
Public relations				26	12,286	12,312	12,312
Insurance	6,764	23,576	30,340	17,729	1,627	19,356	49,696
Fund-raising supplies				100	1,214	1,314	1,314
Licenses and fees				843	4,839	5,682	5,682
Dues and subscriptions	187	152	339	2,018	1,333	3,351	3,690
Staff development	8,344	14,348	22,692	7,705	355	8,060	30,752
Printing	354	1,879	2,233	1,781	15,479	17,260	19,493
Bad debt recovery					(18,206)	(18,206)	(18,206)
Total expenses before depreciation and amortization and interest	1,161,377	4,749,284	5,910,661	639,016	299,960	938,976	6,849,637
Depreciation and amortization	24,204	29,914	54,118	6,052	2,778	8,830	62,948
Interest	11,622	19,046	30,668	2,906		2,906	33,574
Total expenses	<u>\$ 1,197,203</u>	<u>\$ 4,798,244</u>	<u>\$ 5,995,447</u>	<u>\$ 647,974</u>	<u>\$ 302,738</u>	<u>\$ 950,712</u>	<u>\$ 6,946,159</u>

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

**HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC.  
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows  
Years Ended June 30, 2022 and 2021

	2022	2021
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 11,687,192	\$ 985,790
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	89,343	62,948
Provision for (recovery of) bad debt	152,841	(18,206)
Present value adjustment	102,112	(2,203)
Paycheck Protection Program loan forgiveness		(493,485)
Unearned discount on notes payable	(125,474)	(17,983)
Amortization of discount on long-term debt	29,914	26,988
Non-cash interest expense		5,985
Receipt of donated stock	(1,717,976)	(35,714)
Net losses on investments	16,617	
Changes in working capital sources (uses):		
Grants receivable	(1,394,845)	(217,690)
Other receivables	(35,682)	(1,819)
Promises to give	(1,726,742)	(98,953)
Deposit	75,000	(75,000)
Prepaid expenses	(14,088)	19,995
Accounts payable	427,116	110,892
Accrued expenses	28,318	1,794
Deferred revenue	(1,724,153)	2,005,392
Net cash provided by operating activities	5,869,493	2,258,731
<b>Cash flows from investing activities</b>		
Proceeds from sale of donated stock	1,716,583	20,490
Purchase of property and equipment	(7,893,387)	(1,215,863)
Net cash used by investing activities	(6,176,804)	(1,195,373)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of long-term debt	33,000	175,188
Repayment of long-term debt	(35,280)	(24,590)
Repayment of capital lease obligation	(6,189)	(5,933)
Net cash provided (used) by financing activities	(8,469)	144,665
Net increase (decrease) in cash and equivalents and restricted cash	(315,780)	1,208,023
Cash and equivalents and restricted cash at beginning of year	3,783,041	2,575,018
Cash and equivalents and restricted cash at end of year	\$ 3,467,261	\$ 3,783,041
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 302	\$ 601

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

# HOMeward BOUND OF WESTERN NORTH CAROLINA, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

## **Note 1 - Nature of Operations and Summary of Significant Accounting Policies**

### Organization

Homeward Bound of Western North Carolina, Inc. (Homeward Bound) is a nonprofit corporation organized under the laws of the State of North Carolina created to assist and transition people who are homeless. Homeward Bound's operations include a day and short-term emergency shelter, providing rental, utility, and other housing-related assistance, services for mental health issues, substance abuse, and street outreach. Homeward Bound works with residents, through counseling, to break the cycle of homelessness and encourage independence, responsibility, participation, and ultimately be placed in permanent housing.

296 Short Michigan Avenue LLC (Short Michigan) was organized in September 2019 to hold and operate the property of an apartment complex with 11 units that provides safe and affordable housing for tenants. Homeward Bound is the sole member of Short Michigan.

201 Tunnel Road, LLC (Compass Point) was organized in August 2021 to hold and operate the property of a complex with 85 units that provides safe and affordable housing for tenants. Homeward Bound is the sole member of Compass Point.

### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Homeward Bound and its wholly-owned Subsidiaries Short Michigan and Compass Point (collectively the Organization). All material intercompany transactions and balances have been eliminated.

Homeward Bound operates on the fiscal year ended June 30. Short Michigan operates on a calendar year end and Compass Point operates on a June 30 year end. These consolidated financial statements represent the financial position and activities as of and for the twelve months ended June 30, 2022 and 2021.

### Income Tax-exempt Status

Homeward Bound is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization has also been classified as a publicly-supported charitable organization and is exempt from state taxes under North Carolina General Statute 105-130.11(a).

## **Note 1 - Nature of Operations and Summary of Significant Accounting Policies (continued)**

### Income Tax-exempt Status (continued)

Short Michigan and Compass Point are single member limited liability companies which are disregarded entities for U.S. federal and state income tax purposes. All income and expenses of Short Michigan and Compass Point are reported on Homeward Bound's Form 990. Accordingly, no provision for income taxes has been recognized these consolidated financial statements.

### Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions:* 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. These net assets may be used at the discretion of Organization's management and Board of Directors.
- *Net assets with donor restrictions:* Net assets subject to donor-imposed time or purpose restrictions. These restrictions limit the spending options when using these resources because the Organization has a fiduciary responsibility to follow the donors' instructions. Net assets with donor restrictions generally result from donor-restricted contributions and grants for a specific purpose. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Support is recorded as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled and/or time period has elapsed) are reported as net assets released from restrictions.

### Measure of Operations

The consolidated statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing program services. Non-operating activities are limited to losses on investments and other activities considered to be more unusual or nonrecurring in nature.

### Fair Value of Financial Instruments

The carrying value of substantially all reported assets and liabilities, other than promises to give, investments, obligation under capital lease, and long-term debt, approximates fair value due to the relatively short-term nature of the financial instruments.

## **Note 1 - Nature of Operations and Summary of Significant Accounting Policies (continued)**

### Fair Value of Financial Instruments (continued)

Amounts recognized for promises to give approximates fair value due to the allowance for uncollectible pledges and net present value adjustment applied to outstanding balances.

Fair value of investments is discussed in Note 5.

Amounts recognized for obligation under capital lease and long-term debt approximate fair value due to market interest rates charged to outstanding balances. Interest-free loans contain an implied interest rate comparable to market rates.

### Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Cash and Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Restricted cash consists of cash funds related to tenant security deposits that are required to be maintained in a separate trust account in accordance with State laws.

### Grants and Other Receivables

Grants receivable are funds due from federal, state, or local governmental agencies and nonprofit organizations at fiscal year-end.

Other receivables consist primarily of sales tax receivables.

All grants and other receivables are considered by management to be fully collectible and therefore no allowance for uncollectible accounts has been recorded. Receivables are considered impaired if full payment is not received in accordance with the contractual terms. It is the Organization's policy to write off uncollectible receivables when management determines collection is unlikely.

### Deposit

As of June 30, 2021, a deposit was made towards the purchase of property.

## **Note 1 - Nature of Operations and Summary of Significant Accounting Policies (continued)**

### Promises to Give

Conditional promises to give are not recognized in the consolidated financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is included in contribution revenue. Management provides for probable uncollectible amounts through a provision for uncollectible promises to give based on prior years' collection history and management's analysis of specific promises made.

### Investments

Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statements of activities.

### Investment Income and Gains

Investment income and gains are reported as increases in net assets without donor restrictions unless the income or gains are restricted by donors or law.

### Fair Value Measurements and Disclosures

The Organization applies U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

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

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.



## **Note 1 - Nature of Operations and Summary of Significant Accounting Policies (continued)**

### Fair Value Measurements and Disclosures (continued)

Assets and liabilities within the hierarchy are based on the lowest (or least observable) input that is significant to the measurement. The Organization's assessment of the significance of an input requires judgment, which may affect the valuation and classification within the fair value hierarchy.

### Property and Equipment

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed. The Organization has adopted an accounting policy to capitalize all property and equipment with a cost greater than \$5,000 and estimated useful life extending beyond one year. Depreciation is computed using the straight-line method over the estimated useful life of the asset, ranging from three to forty years. Construction in progress is related to the Compass Point project. Total budget for the project is approximately \$16 million and will consist of 85 rental units and administrative offices.

### Donated Property and Equipment

Donations of property and equipment are recorded as in-kind contributions at the estimated fair value at the date of the gift. The Organization reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are recorded as net assets with donor restrictions until such assets are acquired or placed in service.

### Donated Assets

Donated marketable securities are recorded as contributions at their estimated fair value at the date of donation. Donated materials and equipment are reflected as in-kind contributions at their estimated fair value at the date of donation. Noncash donated assets are described in Note 11.

### Donated Services

Donated services are recognized as in-kind contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services are described in Note 11.

## **Note 1 - Nature of Operations and Summary of Significant Accounting Policies (continued)**

### **Revenue Recognition**

Contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return of the asset or right of release of the obligation - are not recognized until the conditions on which they depend have been met. The Organization received conditional contributions of \$167,931 and \$2,000,000 that have not been recognized as of June 30, 2022 and 2021, respectively. These amounts will be included in deferred revenue until qualifying expenditures have been incurred or refunded to the grantor as unexpended grant funding.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization received advanced funding of \$95,909 that has not been recognized as of June 30, 2022. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidated statements of financial position.

The Organization also recognizes revenue from acting as a lessor in operating leases. Revenue is recorded as rental income in the statements of activities and is accounted for on the straight-line basis over the lease term, generally 12 months. Amounts received as security deposits are reported as deferred revenue in the consolidated statements of financial position.

### **Advertising**

The Organization uses advertising to promote various programs. Advertising costs are not expected to extend beyond the current period and are expensed as incurred. Advertising expense for the years ended June 30, 2022 and 2021, was \$67,592 and \$19,493, respectively.

### **Functional Allocation of Expenses**

The costs of providing program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Certain categories of expenses are attributable to programs and support. All expenses except for bad debt expense are allocated based on estimates of time and effort. Bad debt expense is directly related to fundraising which is a supporting service.

### **Reclassification**

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements.

## **Note 1 - Nature of Operations and Summary of Significant Accounting Policies (continued)**

### Reclassification (continued)

During the year ended June 30, 2022, it was determined that certain net assets with donor restrictions were improperly reported as net assets without donor restrictions at June 30, 2021. Accordingly, adjustments were made to increase net assets with donor restrictions and decrease net assets without donor restrictions by \$484,674 as of June 30, 2021, from amounts previously reported.

### New Accounting Pronouncements

During the year ended June 30, 2022, the Organization adopted the requirements of the following standards set by the Financial Accounting Standards Board (FASB). The implementation of each of these standards did not materially impact the Organization's consolidated financial statements.

- Accounting Standards Update No. 2018-15, *Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software.
- Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 clarifies and expands the presentation and disclosure requirements of contributed nonfinancial assets for nonprofit entities for the purpose of enhancing transparency of such contributions received. These additional note disclosures are included in Note 11, In-kind Contributions.

### Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under the new standard, lessees will recognize a right-of-use asset and lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The lease liability will be equal to the present value of lease payments. For statement of activity purposes, leases continue to be classified as either operating or finance. Operating leases will result in straight-line expense, while finance leases will result in accelerated expense recognition, comparable to current capital leases. Classification will be based on criteria similar to those applied to current lease accounting. Additional disclosures will be required to provide details of revenue and expense recognized and expected to be recognized from existing agreements. The new standard will be effective beginning July 1, 2022. The Organization is currently evaluating the effect this ASU will have on its consolidated financial statements.

## **Note 2 - Net Assets**

Net assets are described as follows:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions:		
Undesignated	\$ 1,348,493	\$ 2,019,608
Investment in property and equipment	<u>1,161,022</u>	<u>1,040,215</u>
Net assets without donor restrictions	<u>2,509,515</u>	<u>3,059,823</u>
Net assets with donor restrictions:		
Subject to the passage of time:		
Promises to give, net and grants receivable	166,873	271,375
Discounts on long-term debt	<u>580,234</u>	<u>484,674</u>
Total subject to the passage of time	<u>747,107</u>	<u>756,049</u>
Subject to expenditure for specified purpose:		
Supportive housing	24,617	44,000
AHOPE		9,571
Case management	8,500	16,078
Capital campaign	<u>12,833,698</u>	<u>550,724</u>
Total subject to expenditure for specified purpose	<u>12,866,815</u>	<u>620,373</u>
Net assets with donor restrictions	<u>13,613,922</u>	<u>1,376,422</u>
<u>Total net assets</u>	<u>\$ 16,123,437</u>	<u>\$ 4,436,245</u>

## **Note 3 - Liquidity and Availability of Financial Assets**

The Organization receives significant grants, contributions, and promises to give restricted by donors and grantors and considers those program revenues, which are ongoing, major, and central to its operations, to be available to meet cash needs for general expenditures.

The Organization manages liquidity utilizing three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Monitoring expenses closely.

### **Note 3 - Liquidity and Availability of Financial Assets (continued)**

The following reflects the liquidity and availability of the Organization's financial assets:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and equivalents	\$ 3,467,261	\$ 3,783,041
Grants receivable	2,491,670	1,096,825
Other receivables	43,466	7,784
Promises to give, net	1,689,994	218,205
Investments		15,224
Total financial assets	<u>7,692,391</u>	<u>5,121,079</u>
Amounts not available for general expenditure:		
Net assets with donor restrictions	(13,613,922)	(1,376,422)
Add back: restricted construction in progress	7,756,903	65,197
Add back: restricted grants receivable		60,670
Add back: promises to give subject to passage of time, current portion	<u>166,873</u>	<u>215,676</u>
Total amounts not available for general expenditure	<u>(5,690,146)</u>	<u>(1,034,879)</u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,002,245</u>	<u>\$ 4,086,200</u>

### **Note 4 - Contract Assets and Liabilities**

Grants receivable and promises to give represent the Organization's contract assets with an unconditional right to receive consideration from customers. Grants receivable are recorded at invoiced amounts or amounts expected to be receivable based on contractual terms without conditions. Promises to give are recorded at net realizable value or present value of future cash flows.

The following table provides information about contract assets:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Grants Receivable	<u>\$ 2,491,670</u>	<u>\$ 1,096,825</u>	<u>\$ 875,626</u>
Promises to give:			
Annual campaign:			
Due in less than one year	166,873	215,676	67,523
One to five years		<u>10,100</u>	<u>59,300</u>
Total annual campaign	<u>166,873</u>	<u>225,776</u>	<u>126,823</u>
Capital campaign:			
Due in less than one year	777,595		
One to five years	<u>1,008,050</u>		
Total capital campaign	<u>1,785,645</u>		

#### **Note 4 - Contract Assets and Liabilities (continued)**

<u>At June 30</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total unconditional promises to give	\$ 1,952,518	\$ 225,776	\$ 126,823
Less, allowance for uncollectible promises to give	(160,000)	(7,159)	(25,365)
Less, discount to net present value at 5.75%	<u>(102,524)</u>	<u>(412)</u>	<u>(2,615)</u>
Promises to give, net	<u>1,689,994</u>	<u>218,205</u>	<u>98,843</u>
<u>Total contract assets</u>	<u>\$ 4,181,664</u>	<u>\$ 1,315,030</u>	<u>\$ 974,469</u>

Contract liabilities are recorded when a customer pays consideration, or the Organization has a right to an amount of consideration that is unconditional, before the transfer of a good or performance of a service to the customer. Thus, the Organization has an obligation to transfer the good or service to the customer at a future date.

Contract liabilities are reported as deferred revenue in the accompanying consolidated statements of financial position and are comprised of conditional grants and tenant security deposits. Conditional grants represent advance payments received from grantors prior to incurring expenditures in compliance with specific contract or grant provisions. Tenant security deposits represent deposits received from tenants that are held in trust by the Organization to secure the terms and conditions of lease agreements. Significant changes in contract liabilities from contracts with customers are as follows:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Deferred revenue, beginning of year	\$ 2,000,000	\$
Revenue recognized that was included in deferred revenue at the beginning of the year	(2,000,000)	
Increase in deferred revenue due to cash received	<u>263,840</u>	<u>2,000,000</u>
Deferred revenue, end of year	<u>263,840</u>	<u>2,000,000</u>
Tenant security deposits, beginning of year	14,980	9,588
Refunds to tenants or reimbursements recognized for damages		(2,098)
Increase in tenant security deposits due to cash received	<u>12,007</u>	<u>7,490</u>
Tenant security deposits, end of year	<u>26,987</u>	<u>14,980</u>
<u>Total contract liabilities</u>	<u>\$ 290,827</u>	<u>\$ 2,014,980</u>

#### **Note 5 - Fair Value Measurements**

Investments are reported in the accompanying consolidated financial statements at estimated fair value in accordance with the fair value hierarchy. Investments with a fair value of \$15,224 as of June 30, 2021, consist of common stock. These investments are valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

## **Note 6 - Property and Equipment**

Property and equipment consists of the following:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Land	\$ 130,000	\$ 130,000
Buildings and improvements	2,691,964	1,462,495
Vehicles	52,522	52,522
Equipment and furniture	112,541	112,541
Multimedia	45,625	45,625
Construction in progress	<u>7,756,903</u>	<u>1,092,985</u>
	10,789,555	2,896,168
Less, accumulated depreciation	<u>(568,207)</u>	<u>(478,864)</u>
<u>Property and equipment</u>	<u>\$ 10,221,348</u>	<u>\$ 2,417,304</u>

Depreciation expense for the years ended June 30, 2022 and 2021, was \$89,343 and \$62,948, respectively.

Construction in progress with a carrying value of \$7,756,903 as of June 30, 2022, has a lien on the property and donor-imposed restrictions on the property that it must be used to provide affordable housing. Under terms of the agreements, the property will revert back to the grantors if the property is not used for its intended purpose.

## **Note 7 - Accrued Expenses**

Accrued expenses are described as follows:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Accrued payroll and other related liabilities	\$ 119,592	\$ 91,274
Accrued compensated absences	<u>57,452</u>	<u>57,452</u>
<u>Accrued expenses</u>	<u>\$ 177,044</u>	<u>\$ 148,726</u>

## **Note 8 - Line of Credit**

In May 2020, the Organization opened an annually renewable unsecured line of credit with a local bank with maximum borrowings of up to \$250,000. Interest is payable monthly on any outstanding principal balances at the prime rate as published in The Wall Street Journal plus 1%, with a minimum rate of 4.25%. The interest rate as of June 30, 2022, was 5.75%. At June 30, 2022 and 2021, there was no outstanding balance on the line of credit. The line of credit agreement matures annually in July.

### **Note 9 - Obligation Under Capital Lease**

The Organization leases equipment under a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of the asset through the lease, and, accordingly, it is recorded in the Organization's assets and liabilities. Capital lease liability is described as follows:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Capital lease obligation on leased equipment in 48 monthly payments of \$541 at 4.25% interest with a cost of \$23,839, less accumulated depreciation of \$20,362.	\$ 3,733	\$ 9,922
Less, current portion of capital lease obligation	<u>(3,733)</u>	<u>(6,189)</u>
<u>Obligation under capital lease , net of current portion</u>	<u>\$</u>	<u>\$ 3,733</u>

Amortization of the asset held under the capital lease was \$5,960 for each of the years ended June 30, 2022 and 2021, and is included in depreciation and amortization expense. Future minimum payments for the Organization under the capital lease are as follows:

<u>Years Ending June 30</u>	
2023	\$ 3,786
2024	
2025	
2026	
2027	
Total minimum lease payments	<u>3,786</u>
Less, amounts representing interest	<u>(53)</u>
<u>Present value of minimum lease payments</u>	<u>\$ 3,733</u>

### **Note 10 - Long-term Debt**

Long-term debt consists of the following:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Noninterest bearing note payable due in monthly installments of \$500 from September 2018 to August 2021, increasing to \$1,000 from September 2021 to August 2025, and a balloon payment of remaining balance due September 2025, implied interest rate of 4.25%, secured by property with a carrying value of \$1,180,905 at June 30, 2022	\$ 208,700	\$ 223,700



## Note 10 - Long-term Debt

At June 30	2022	2021
Noninterest bearing note payable due in 120 monthly installments of \$1,690 and balloon payment of remaining balance due October 2029, implied interest rate of 4.25%, secured by property with a carrying value of \$1,201,969 at June 30, 2022	\$ 230,990	\$ 251,270
Noninterest bearing note payable due with a balloon payment in September 2049, implied interest rate of 4.25%, secured by property with a carrying value of \$1,201,969 at June 30, 2022	530,000	530,000
Noninterest bearing note payable due with a balloon payment in August 2036, implied interest rate of 4.25%, secured by property with a carrying value of \$1,201,969 at June 30, 2022	330,000	297,000
	1,299,690	1,301,970
Less, unearned discount on long-term debt	(580,234)	(484,674)
Total long-term debt	719,456	817,296
Less, current maturities	(16,905)	(15,061)
<u>Long-term debt, net of current maturities</u>	<u>\$ 702,551</u>	<u>\$ 802,235</u>

Amortization of the discount on long-term debt is reported in the consolidated statements of functional expenses as interest expense. Scheduled principal payments on long-term debt for the next five years are as follows:

Years Ending June 30	Principal Payments
2023	\$ 32,280
2024	32,280
2025	32,280
2026	192,980
2027	20,280
Thereafter	989,590
Less, unearned discount on long-term debt	(580,234)
<u>Principal payments on long-term debt</u>	<u>\$ 719,456</u>

### **Note 11 - In-kind Contributions**

In-kind gifts are acknowledged for the furtherance of the various programs and mission of the Organization. Volunteers also provided a variety of tasks that assist the Organization with specific objectives throughout the fiscal year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

In-kind contributions are summarized as follows:

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#### Year Ended June 30, 2022

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	<u>Fair Value</u>	<u>Usage in Program</u>	<u>Donor Restriction</u>
Furniture and household goods	\$ 270,491	Supportive Housing	None
Advertising	48,450	Allocated to program services & fundraising	None
Food	<u>23,052</u>	Supportive Housing	None
Total contributions of nonfinancial assets	<u>\$ 341,993</u>		

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#### Year Ended June 30, 2021

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	<u>Fair Value</u>	<u>Usage in Program</u>	<u>Donor Restriction</u>
Furniture and household goods	\$ 187,861	Supportive Housing	None
Advertising	<u>2,762</u>	Fundraising	None
Total contributions of nonfinancial assets	<u>\$ 190,623</u>		

Fair valuation techniques – Donated furniture and household goods are valued at the price that would be paid to purchase a comparable item at a local thrift store. Donated advertising is valued at the donor provided amount or the price that would be paid to purchase a similar advertising spot. Donated food is valued at the donor provided amount, price that would be paid to purchase a comparable item, or current sales price of the item as sold by the donating vendor.

### **Note 12 - Rental Income**

Short Michigan leases building units under noncancelable lease agreements expiring through January 2023. Rental income under these lease agreements was \$12,383 and \$15,547, for the years ended June 30, 2022 and 2021, respectively. The future minimum rental income under all operating leases are \$34,683 for the year ended June 30, 2023.

The following is an analysis of the carrying amount of the leased building, improvements, and land:

<u>At June 30</u>	<u>2022</u>	<u>2021</u>
Cost	\$ 1,251,784	\$ 882,689
Less, accumulated depreciation	<u>(49,815)</u>	<u>(25,733)</u>
<u>Leased property, net</u>	<u>\$ 1,201,969</u>	<u>\$ 856,956</u>

### **Note 13 - Concentration of Credit Risk**

The Organization maintains its cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. The uninsured cash balance at June 30, 2022 and 2021, was \$3,010,623 and \$3,256,650, respectively.

### **Note 14 - Retirement Plan**

The Organization participates in a defined contribution 401(k) Profit Sharing Plan (the Plan). Employees are eligible for participation in the Plan after attaining age twenty-one and completing six months of service. The Organization will make matching contributions equal to 100% of the employees' elective deferral after one year of continuous service with no maximum limit. Annual employer discretionary contributions are also permitted. Employer contributions become vested after two years of continuous service using a graded scale. The Organization contributed \$22,311 and \$18,317, to the Plan during the years ended June 30, 2022 and 2021, respectively.

### **Note 15 - Commitments and Contingencies**

#### **Operating Lease Commitments**

The Organization leases office space, equipment, and apartments under non-cancelable operating leases. The leases require various monthly payments and expire through December 2022. Rent expense for the years ended June 30, 2022 and 2021, was \$359,280 and \$265,068, respectively. The future minimum lease payments under all operating leases are \$147,437 for the year ending June 30, 2023.

## **Note 15 - Commitments and Contingencies (continued)**

### **Risk Management**

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Organization carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any period since inception.

### **Federal and State Assisted Programs**

The Organization has received proceeds from several federal and state grants. Periodic audits of these grants and third-party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in a refund or reimbursement to the grantor or third-party agencies. Management believes that refunds or reimbursements, should any be determined, would be immaterial. No provisions have been made in the accompanying consolidated financial statements for the repayment of any grant monies or third-party reimbursements.

### **Construction Contracts**

Homeward Bound of Western North Carolina, Inc. entered into a construction contract in March 2022, with Beverly Grant general contractors to demolish and upfit a former motel property an 85 unit complex with administrative offices. The contract calls for a guaranteed maximum price of \$5,674,559. As of June 30, 2022, \$998,670 has been completed and billed with \$524,686 included in accounts payable.

## **Note 16 - Related Party Transactions**

Contributions from board members totaled \$141,539 and \$17,628, during the years ended June 30, 2022 and 2021, respectively. Promises to give and grants receivable outstanding from board members totaled \$84,526 and \$12,500 at June 30, 2022 and 2021, respectively.

## **Note 17 - Income Taxes**

### **Uncertain Tax Positions**

Homeward Bound is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Management believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions material to the consolidated financial statements.

### **Open Tax Years**

Homeward Bound's Return of Organization Exempt From Income Tax (Form 990) for the years ended June 30, 2021, 2020, and 2019, are subject to examination by the IRS, generally for three years after they were filed.

### **Note 18 - Coronavirus Pandemic Impact**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States.

The Organization was deemed an essential business and COVID-19 did not have a significant impact on the Organization's ability to operate. The Organization received increased community support and governmental revenues to respond to and adapt the operations of the Organization to meet various regulations. Government grants received as a result of COVID-19 consist of \$5,000,000 in Coronavirus State and Local Fiscal Recovery Funds for the purchase of property to provide affordable housing, \$549,402 in federal funding to respond to increased demands, and \$14,886 in Coronavirus Relief Fund grants during the year ended June 30, 2022.

Government grants received as a result of COVID-19 consist of \$190,460 in federal funding to respond to increased demands, \$261,199 in federal hotel based non-congregate shelter assistance, \$112,468 in Coronavirus Relief Fund grants, and \$493,485 in U.S. Small Business Administrative Paycheck Protection Program loan forgiveness during the year ended June 30, 2021.

### **Note 19 - Subsequent Events**

Management has evaluated subsequent events through March 24, 2023, which is the date the consolidated financial statements were available to be issued.

In November 2022, the Organization signed a promissory note for \$3,100,000 with Dogwood Health Trust at a rate of 2.5% with a maturity date of November 2027. The purpose of the note is to fund the completion of Compass Point.

**SUPPLEMENTARY INFORMATION**

## HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC. AND SUBSIDIARIES

### Consolidating Statement of Financial Position

June 30, 2022

	Homeward Bound	Compass Point Village	Short Michigan	Eliminations	Total
<b>Assets</b>					
Current assets:					
Cash and equivalents	\$ 3,432,260	\$	\$ 8,014	\$	\$ 3,440,274
Restricted cash and equivalents			26,987		26,987
Grants receivable	2,491,470		200		2,491,670
Other receivables	50,408			(6,942)	43,466
Promises to give, current portion	944,468				944,468
Prepaid expenses	14,262		(174)		14,088
Total current assets	6,932,868		35,027	(6,942)	6,960,953
Promises to give, net of current portion	745,526				745,526
Property and equipment, net	1,246,631	7,756,903	1,217,814		10,221,348
Investment in subsidiaries	8,440,539			(8,440,539)	
<b>Total assets</b>	<b>\$ 17,365,564</b>	<b>\$ 7,756,903</b>	<b>\$ 1,252,841</b>	<b>\$ (8,447,481)</b>	<b>\$ 17,927,827</b>
<b>Liabilities, net assets, and member's interest</b>					
Current liabilities:					
Current portion of capital lease obligation	\$ 3,733	\$	\$	\$	\$ 3,733
Current maturities of long-term debt	4,361		12,544		16,905
Accounts payable	612,912		7,360	(6,942)	613,330
Accrued expenses	177,044				177,044
Deferred revenue	263,840		26,987		290,827
Total current liabilities	1,061,890		46,891	(6,942)	1,101,839
Long-term debt, net of current maturities	180,237		522,314		702,551
Total liabilities	1,242,127		569,205	(6,942)	1,804,390
Net assets and member's interest:					
Without donor restrictions	2,509,515				2,509,515
With donor restrictions	13,613,922				13,613,922
Member's interest		7,756,903	683,636	(8,440,539)	
Total net assets and member's interest	16,123,437	7,756,903	683,636	(8,440,539)	16,123,437
<b>Total liabilities, net assets, and member's interest</b>	<b>\$ 17,365,564</b>	<b>\$ 7,756,903</b>	<b>\$ 1,252,841</b>	<b>\$ (8,447,481)</b>	<b>\$ 17,927,827</b>

## HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC. AND SUBSIDIARIES

### Consolidating Statement of Activities Year Ended June 30, 2022

	Homeward Bound	Compass Point Village	Short Michigan	Eliminations	Total
<b>Public support and other revenues</b>					
Grants	\$ 12,434,340	\$	\$ 125,474	\$	\$ 12,559,814
Contributions	6,405,952				6,405,952
In-kind contributions	341,993				341,993
Rental income			141,266	(128,883)	12,383
Interest	2,876				2,876
Other	12,277				12,277
Total public support and other revenues	19,197,438		266,740	(128,883)	19,335,295
<b>Expenses</b>					
Program services	6,740,481		129,551	(128,883)	6,741,149
Supporting services	890,337				890,337
Total expenses	7,630,818		129,551	(128,883)	7,631,486
Increase in net assets and member's interest before other gains (losses)	11,566,620		137,189		11,703,809
<b>Other gains (losses)</b>					
Net losses on investments	(16,617)				(16,617)
Gain on investment in subsidiaries	137,189			(137,189)	
Total other gains (losses)	120,572			(137,189)	(16,617)
Increase (decrease) in net assets and member's interest	11,687,192		137,189	(137,189)	11,687,192
Net assets and member's interest at beginning of year	4,436,245		546,447	(546,447)	4,436,245
Member contributions		7,756,903		(7,756,903)	
Net assets and member's interest at end of year	\$ 16,123,437	\$ 7,756,903	\$ 683,636	\$ (8,440,539)	\$ 16,123,437



## **COMPLIANCE SECTION**

INDEPENDENT AUDITORS' 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  
Homeward Bound of Western North Carolina, Inc. and Subsidiaries

We have audited, 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, the consolidated financial statements of Homeward Bound of Western North Carolina, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and related notes to the consolidated financial statements, and have issued our report thereon dated March 24, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Homeward Bound of Western North Carolina, Inc. and Subsidiaries' 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Homeward Bound of Western North Carolina, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Homeward Bound of Western North Carolina, Inc. and Subsidiaries' 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 consolidated 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

To the Board of Directors  
Homeward Bound of Western North Carolina, Inc. and Subsidiaries

### **Report on Internal Control over Financial Reporting (continued)**

We identified a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency. In addition, we noted other matters involving internal control and its operation that we have reported to management of Homeward Bound of Western North Carolina, Inc. and Subsidiaries in a separate letter dated March 24, 2023.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Homeward Bound of Western North Carolina, Inc. and Subsidiaries' consolidated 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 consolidated 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Homeward Bound of Western North Carolina, Inc. and Subsidiaries' Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures the Homeward Bound of Western North Carolina, Inc. and Subsidiaries' response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Homeward Bound of Western North Carolina, Inc. and Subsidiaries' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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.



Asheville, North Carolina  
March 24, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Homeward Bound of Western North Carolina, Inc. and Subsidiaries

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Homeward Bound of Western North Carolina, Inc. and Subsidiaries' 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 Homeward Bound of Western North Carolina, Inc. and Subsidiaries' major federal programs for the year ended June 30, 2022. Homeward Bound of Western North Carolina, Inc. and Subsidiaries' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Homeward Bound of Western North Carolina, Inc. and Subsidiaries 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 June 30, 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. *Code 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Homeward Bound of Western North Carolina, Inc. and Subsidiaries 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 Homeward Bound of Western North Carolina, Inc. and Subsidiaries compliance with the compliance requirements referred to above.

To the Board of Directors  
Homeward Bound of Western North Carolina, Inc. and Subsidiaries

### ***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 Homeward Bound of Western North Carolina, Inc. and Subsidiaries' federal programs.

### ***Auditors' 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 Homeward Bound of Western North Carolina, Inc. and Subsidiaries' 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 Homeward Bound of Western North Carolina, Inc. and Subsidiaries' 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 Homeward Bound of Western North Carolina, Inc. and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Homeward Bound of Western North Carolina, Inc. and Subsidiaries' 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 Homeward Bound of Western North Carolina, Inc. and Subsidiaries' 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.

To the Board of Directors  
Homeward Bound of Western North Carolina, Inc. and Subsidiaries

## **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 Auditors' 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.

*CARTER, P.C.*

Asheville, North Carolina  
March 24, 2023

## HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC. AND SUBSIDIARIES

### Schedule of Expenditures of Federal and State Awards Year Ended June 30, 2022

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor Number</u>	<u>Expenditures</u>
<b>Federal Awards</b>			
<u>U.S. Department of Housing and Urban Development</u>			
Office of Community Planning and Development:			
Passed through NC Department of Health and Human Services - Division of Aging and Adult Services:			
Emergency Solutions Grants Program	14.231	00041775 & 00043555	\$ 33,391
COVID-19 - Emergency Solutions Grants Program	14.231	00041412	<u>393,403</u>
Total Emergency Solutions Grants Program			<u>426,794</u>
Passed through City of Asheville, North Carolina:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants:			
Housing Services	14.218	92200227	80,307
AHOPE: Coordinated Entry	14.218	92200226	33,199
COVID-19 - CDBG	14.218	92100183 & 92200075	<u>155,999</u>
Total CDBG - Entitlement Grants Cluster			<u>269,505</u>
Passed through City of Asheville, North Carolina:			
HOME Investment Partnerships Program:			
296 Short Michigan Avenue	14.239	92000312	330,000
Tenant Based Rental Assistance, City of Asheville	14.239	91800223 & 92000109	5,227
Tenant Based Rental Assistance, HOME Diversion	14.239	92000285	<u>5,829</u>
Total HOME Investment Partnerships Program			<u>341,056</u>
Continuum of Care Program	14.267		<u>1,377,440</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 2,414,795</u>

## HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC. AND SUBSIDIARIES

### Schedule of Expenditures of Federal and State Awards (continued) Year Ended June 30, 2022

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor Number</u>	<u>Expenditures</u>
<b>Federal Awards (continued)</b>			
<u>U.S. Department of Veterans Affairs</u>			
VA Health Administration Center:			
VA Supportive Services for Veteran Families Program	64.033		\$ <u>1,291,431</u>
<u>U.S. Department of Homeland Security</u>			
Federal Emergency Management Agency:			
Emergency Food and Shelter National Board Program	97.024		<u>4,250</u>
<u>U.S. Department of the Treasury</u>			
Passed through NC Department of Health and Human Services - Division of Aging and Adult Services:			
Coronavirus Relief Fund	21.019	00041655 & 00042665	<u>14,886</u>
Passed through Buncombe County, North Carolina:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	FRF0001	3,000,000
Passed through City of Asheville, North Carolina:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	92200153	<u>2,000,000</u>
Total Coronavirus State and Local Fiscal Recovery Funds			<u>5,000,000</u>
Total U.S. Department of the Treasury			<u>5,014,886</u>
Total expenditures of federal awards			\$ <u>8,725,362</u>
<b>State Awards</b>			
<u>North Carolina Department of Health and Human Services</u>			
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:			
Passed through VAYA Health:			
Single Stream Funding		536998	\$ <u>132,850</u>



**HOMeward BOUND OF WESTERN NORTH CAROLINA, INC. AND  
SUBSIDIARIES**

Schedule of Expenditures of Federal and State Awards (continued)  
Year Ended June 30, 2022

**Notes to the Schedule of Expenditures of Federal and State Awards**

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state award activity of Homeward Bound of Western North Carolina, Inc. and Subsidiaries under programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFSA presents only a selected portion of the operations of Homeward Bound of Western North Carolina, Inc. and Subsidiaries, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Homeward Bound of Western North Carolina, Inc. and Subsidiaries.

**Note B - Summary of Significant Accounting Policies**

Expenditures reported on the SEFSA are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note C - Indirect Cost Rate**

Homeward Bound of Western North Carolina, Inc. and Subsidiaries has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note D - Loans Outstanding**

Homeward Bound of Western North Carolina, Inc. and Subsidiaries had the following loan balance outstanding at June 30, 2022, for a loan that the grantor has imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of the loan outstanding at June 30, 2022, consists of:

<u>Program Title</u>	<u>Federal AL Number</u>	<u>Amount Outstanding</u>
HOME Investment Partnerships Program	14.239	\$ <u>330,000</u>

**HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC. AND  
SUBSIDIARIES**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2022

Section I - Summary of Auditors' Results

***Consolidated Financial Statements***

Type of auditors' report issued	Unmodified
Internal control over financial reporting	
Material weakness(es) identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified?	<u> X </u> yes    _____ none reported
Noncompliance material to consolidated financial statements noted?	_____ yes <u> X </u> no

***Federal Awards***

Internal control over compliance	
Material weakness(es) identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified?	_____ yes <u> X </u> none reported
Type of auditors' report issued on compliance for major federal program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ yes <u> X </u> no

Identification of major federal programs:  
AL# 14.267 - Continuum of Care Program  
AL# 21.027 - Coronavirus State and Local Fiscal Recovery Funds  
AL# 64.033 - VA Supportive Services for Veteran Families Program

The threshold for distinguishing Type A and Type B programs was \$750,000.

Homeward Bound of Western North Carolina, Inc. and Subsidiaries was not determined to be a low-risk auditee.

**HOMeward BOUND OF WESTERN NORTH CAROLINA, INC. AND  
SUBSIDIARIES**

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2022

Section II - Financial Statement Findings

Finding 2022-001 - Donor Pledge Reconciliation

**SIGNIFICANT DEFICIENCY**

*Criteria:* Account balances for pledges receivable should be reconciled to the donor software on a regular basis to ensure the accounting records are accurate, proper, and complete.

*Condition:* The accounting records omitted significant pledges receivable, including multi-year pledges for a capital campaign.

*Effect:* The accounting records required adjustments to be in conformity with U.S. GAAP.

*Cause:* Strains on the Organization, personnel transitions, and launch of a capital campaign.

*Recommendation:* Monthly account reconciliations should be performed between the donor software and the accounting records. Transactions from the donor software should be reflected in the accounting records.

*Views of Responsible Officials and Planned Corrective Actions:* Management agrees with this finding and will adhere to the Corrective Action Plan.

Section III - Federal Award Findings and Questioned Costs

None reported.



Corrective Action Plan  
For the Year Ended June 30, 2022

Section II - Financial Statement Findings

Finding 2022-001 - Donor Pledge Reconciliation

**SIGNIFICANT DEFICIENCY**

Name of Contact Person: Heather Nelson, Director of Finance & Operations

Corrective Action: In prior years, the significance of periodic pledges from donors did not warrant a monthly reconciliation and the receivable balance, while already tracked in non-accounting donor management software and was captured as part of the work performed under the annual audit. The implementation of Homeward Bound's capital campaign attracted more substantial and sometimes multi-year pledges. Financial and Donor management personnel will perform a more periodic reconciliation and entry of pledge balances for the Fiscal Year Ending June 30, 2023 and beyond, especially during the duration of the capital campaign.

Completion Date: On or by June 30, 2023

Section III - Federal Award Findings and Questioned Costs

None reported.

**HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC. AND  
SUBSIDIARIES**

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2022

Reported findings for the year ended June 30, 2021:

Finding 2021-001 - Account Reconciliations

*Status:* Finding 2021-001 related to the account reconciliations of grants receivable, pledges receivable, and various other accounts. Proper procedures were put into place by management to reconcile grants receivable and various other accounts during the year ended June 30, 2022. However, procedures related to the account reconciliation for pledges receivable were insufficiently put into place. This finding is repeated as Finding 2022-001 related to pledges receivable account reconciliation.

Finding 2021-002 - Policies and Procedures

*Status:* This finding is not repeated in the year ended June 30, 2022.

Finding 2021-003 - General Journal Entries

*Status:* This finding is not repeated in the year ended June 30, 2022.

Finding 2021-004 - Backdating Checks

*Status:* This finding is not repeated in the year ended June 30, 2022.

Finding 2021-005 - Record Retention

*Status:* This finding is not repeated in the year ended June 30, 2022.

No findings were reported for the year ended June 30, 2020.