



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

Asheville, North Carolina

Consolidated Financial Statements and
Supplementary Information

Years Ended June 30, 2024 and 2023

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

OFFICERS

Melissa Duong
Jo Ikelheimer
Isaac Rowles
Jorge Redmond
Barbara Wright

President
Vice-President
Treasurer
Secretary
Past President

BOARD OF DIRECTORS

Rodrigo Afanador
Amber Banks
Melissa Duong
David Hamilton
Claire Hubbard
Jo Ikelheimer
Neely Neu

Heather Norton
Jorge Redmond
Isaac Rowles
Shuchin Shukla, MD, MPH
Mayumi Steins
Wayne Swanton
Barbara Wright

**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 - 2024	5
Consolidated Statement of Activities - 2023	6
Consolidated Statement of Functional Expenses - 2024	7
Consolidated Statement of Functional Expenses - 2023	8
Consolidated Statements of Cash Flows	9-10
Notes to Consolidated Financial Statements	11-29
SUPPLEMENTARY INFORMATION	
Consolidating Statement of Financial Position	30
Consolidating Statement of Activities	31
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>	32-33
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	34-36
Schedule of Expenditures of Federal and State Awards	37-39
Schedule of Findings and Questioned Costs	40-42
Corrective Action Plan	43-44
Summary Schedule of Prior Audit Findings	45

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, 2024 and 2023, 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, 2024 and 2023, 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 audits. 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 audit 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 consolidating statements of financial position and activities and schedule of expenditures of federal and state awards are 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 18, 2025, 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.



Asheville, North Carolina
March 18, 2025

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

Consolidated Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 2,612,635	\$ 4,780,460
Restricted	40,014	25,221
Grants receivable	1,155,320	1,210,745
Other receivables	165,456	80,350
Promises to give, current portion	623,558	989,325
Prepaid expenses	<u>4,682</u>	<u>16,959</u>
Total current assets	4,601,665	7,103,060
 Promises to give, net of current portion	 121,163	 355,081
Operating lease right-of-use asset	58,183	
Finance lease right-of-use asset	62,389	
Property and equipment, net	<u>18,233,874</u>	<u>15,571,837</u>
 Total assets	 <u>\$ 23,077,274</u>	 <u>\$ 23,029,978</u>
 Liabilities and net assets		
Current liabilities:		
Current portion of operating lease liability	\$ 21,435	\$
Current portion of finance lease liability	13,289	
Current maturities of long-term debt	742,989	17,644
Accounts payable	313,547	959,531
Accrued expenses	402,916	266,546
Deferred revenue	<u>188,789</u>	<u>50,221</u>
Total current liabilities	1,682,965	1,293,942
 Operating lease liability, net of current portion	 38,148	
Finance lease liability, net of current portion	51,425	
Long-term debt, net of current maturities	<u>4,209,571</u>	<u>3,799,951</u>
 Total liabilities	 <u>5,982,109</u>	 <u>5,093,893</u>
 Net assets:		
Without donor restrictions	4,020,759	2,656,514
With donor restrictions	<u>13,074,406</u>	<u>15,279,571</u>
Total net assets	<u>17,095,165</u>	<u>17,936,085</u>
 Total liabilities and net assets	 <u>\$ 23,077,274</u>	 <u>\$ 23,029,978</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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and other revenues			
Grants	\$ 123,146	\$ 5,244,624	\$ 5,367,770
Contributions	1,092,775	763,848	1,856,623
In-kind contributions	150,434		150,434
Rental income	778,333		778,333
Interest	61,502		61,502
Other	24,348		24,348
Net assets released from restrictions	<u>8,213,637</u>	<u>(8,213,637)</u>	<u></u>
Total public support and other revenues	<u>10,444,175</u>	<u>(2,205,165)</u>	<u>8,239,010</u>
Expenses			
Program services	7,921,846		7,921,846
Supporting services	<u>1,167,257</u>	<u></u>	<u>1,167,257</u>
Total expenses	<u>9,089,103</u>	<u></u>	<u>9,089,103</u>
Increase (decrease) in net assets before other gain	1,355,072	(2,205,165)	(850,093)
Other gain			
Gain on sale of property and equipment	<u>9,173</u>	<u></u>	<u>9,173</u>
Increase (decrease) in net assets	1,364,245	(2,205,165)	(840,920)
Net assets at beginning of year	<u>2,656,514</u>	<u>15,279,571</u>	<u>17,936,085</u>
Net assets at end of year	<u>\$ 4,020,759</u>	<u>\$ 13,074,406</u>	<u>\$ 17,095,165</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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and other revenues			
Grants	\$ 262,870	\$ 5,734,572	\$ 5,997,442
Contributions	1,263,116	2,260,048	3,523,164
In-kind contributions	148,845		148,845
Rental income	43,332		43,332
Interest	52,614		52,614
Other	12,223		12,223
Net assets released from restrictions	<u>6,328,971</u>	<u>(6,328,971)</u>	
Total public support and other revenues	<u>8,111,971</u>	<u>1,665,649</u>	<u>9,777,620</u>
Expenses			
Program services	7,018,536		7,018,536
Supporting services	<u>946,436</u>		<u>946,436</u>
Total expenses	<u>7,964,972</u>		<u>7,964,972</u>
Increase in net assets	146,999	1,665,649	1,812,648
Net assets at beginning of year	<u>2,509,515</u>	<u>13,613,922</u>	<u>16,123,437</u>
Net assets at end of year	<u>\$ 2,656,514</u>	<u>\$ 15,279,571</u>	<u>\$ 17,936,085</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, 2024

	Program Services			Supporting Services			
	Homeless Services	Supportive Housing	Total Program Services	Management & General	Fundraising	Total Supporting Services	Total
Salaries	\$ 682,540	\$ 2,484,369	\$ 3,166,909	\$ 447,370	\$ 217,431	\$ 664,801	\$ 3,831,710
Payroll taxes	52,562	193,568	246,130	37,640	16,964	54,604	300,734
Benefits	70,639	282,041	352,680	35,153	16,164	51,317	403,997
Total salaries and related	805,741	2,959,978	3,765,719	520,163	250,559	770,722	4,536,441
Client assistance	101,376	2,825,455	2,926,831	11,380	4,368	15,748	2,942,579
Administrative	9,816	13,416	23,232	10,948	15,995	26,943	50,175
Automotive expenses		2,159	2,159				2,159
Dues and subscriptions	74		74	1,606	1,377	2,983	3,057
Insurance	11,406	69,600	81,006	2,018	780	2,798	83,804
Maintenance and repairs	25,557	133,853	159,410	3,858	45	3,903	163,313
Miscellaneous		12,850	12,850	286	1	287	13,137
Professional fees		3,181	3,181	83,699	2,072	85,771	88,952
Public relations	340	2,862	3,202		60,620	60,620	63,822
Printing					5,096	5,096	5,096
Rent	666	49,980	50,646	5,136	2,252	7,388	58,034
Security	1,479	5,006	6,485				6,485
Staff development	4,741	23,142	27,883	57,023	3,352	60,375	88,258
Technology and communication	5,528	42,423	47,951	11,710	8,173	19,883	67,834
Travel and mileage	4,447	65,798	70,245	5,669	766	6,435	76,680
Utilities	42,236	160,159	202,395				202,395
Credit losses		250	250				250
Total expenses before depreciation and amortization and interest	1,013,407	6,370,112	7,383,519	713,496	355,456	1,068,952	8,452,471
Depreciation and amortization	81,923	335,800	417,723	52,887	25,475	78,362	496,085
Interest	20,848	99,756	120,604	13,460	6,483	19,943	140,547
Total expenses	<u>\$ 1,116,178</u>	<u>\$ 6,805,668</u>	<u>\$ 7,921,846</u>	<u>\$ 779,843</u>	<u>\$ 387,414</u>	<u>\$ 1,167,257</u>	<u>\$ 9,089,103</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, 2023

	Program Services			Supporting Services			
	Homeless Services	Supportive Housing	Total Program Services	Management & General	Fundraising	Total Supporting Services	Total
Salaries	\$ 759,762	\$ 2,070,898	\$ 2,830,660	\$ 375,938	\$ 204,389	\$ 580,327	\$ 3,410,987
Payroll taxes	59,660	157,674	217,334	31,829	18,753	50,582	267,916
Benefits	73,678	212,550	286,228	16,932	11,477	28,409	314,637
Total salaries and related	893,100	2,441,122	3,334,222	424,699	234,619	659,318	3,993,540
Client assistance	42,040	2,740,549	2,782,589				2,782,589
Administrative	2,104	9,482	11,586	6,232	20,731	26,963	38,549
Automotive expenses	40	24,976	25,016	1,509		1,509	26,525
Dues and subscriptions				1,324	2,253	3,577	3,577
Insurance	10,338	50,775	61,113	14,066	239	14,305	75,418
Maintenance and repairs	15,088	53,238	68,326	4,271		4,271	72,597
Miscellaneous	1,197	426	1,623	3,538		3,538	5,161
Professional fees		25,737	25,737	69,513		69,513	95,250
Public relations	593	2,443	3,036		28,676	28,676	31,712
Printing		6,028	6,028		9,937	9,937	15,965
Rent	929	116,604	117,533	28,362	1,331	29,693	147,226
Security	30,177	156,726	186,903				186,903
Staff development	12,758	17,462	30,220	26,432	1,393	27,825	58,045
Technology and communication	11,282	37,678	48,960	10,042	10,171	20,213	69,173
Travel and mileage	3,533	72,395	75,928	5,935	41	5,976	81,904
Utilities	30,226	79,172	109,398				109,398
Total expenses before depreciation and amortization and interest	1,053,405	5,834,813	6,888,218	595,923	309,391	905,314	7,793,532
Depreciation and amortization	36,993	34,848	71,841	20,928		20,928	92,769
Interest	35,697	22,780	58,477	20,194		20,194	78,671
Total expenses	<u>\$ 1,126,095</u>	<u>\$ 5,892,441</u>	<u>\$ 7,018,536</u>	<u>\$ 637,045</u>	<u>\$ 309,391</u>	<u>\$ 946,436</u>	<u>\$ 7,964,972</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (840,920)	\$ 1,812,648
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	496,085	92,769
Amortization of operating lease right-of-use asset	12,217	
Provision for credit losses	250	
Present value adjustment	(57,439)	(6,781)
Amortization of discount on long-term debt	30,611	30,419
Gain on sale of property and equipment	(9,173)	
Receipt of donated stock	(110,368)	(188,431)
Changes in working capital sources (uses):		
Grants receivable	55,425	1,280,925
Other receivables	(85,356)	(36,884)
Promises to give	657,124	352,369
Prepaid expenses	12,277	(2,871)
Accounts payable	(645,984)	346,201
Accrued expenses	136,370	89,502
Deferred revenue	138,568	(240,606)
Operating lease liability	(10,817)	
Net cash provided (used) by operating activities	<u>(221,130)</u>	<u>3,529,260</u>
Cash flows from investing activities		
Proceeds from sale of donated stock	110,368	188,431
Purchase of property and equipment	(3,151,471)	(5,443,258)
Proceeds from sale of property and equipment	15,000	
Net cash used by investing activities	<u>(3,026,103)</u>	<u>(5,254,827)</u>
Cash flows from financing activities		
Proceeds from line of credit	42,609	
Proceeds from issuance of long-term debt	1,133,254	3,100,000
Principal repayments on line of credit	(42,609)	
Principal repayments on finance lease liability	(10,153)	(3,733)
Principal repayments on long-term debt	(28,900)	(32,280)
Net cash provided by financing activities	<u>1,094,201</u>	<u>3,063,987</u>
Net increase (decrease) in cash and equivalents and restricted cash	(2,153,032)	1,338,420
Cash and equivalents and restricted cash at beginning of year	<u>4,805,681</u>	<u>3,467,261</u>
Cash and equivalents and restricted cash at end of year	<u>\$ 2,652,649</u>	<u>\$ 4,805,681</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 (continued)
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Schedule of noncash investing and financing activities		
Operating lease right-of-use asset obtained in exchange for operating lease liability	<u>\$ 70,400</u>	<u>\$</u>
Finance lease right-of-use asset obtained in exchange for finance lease liability	<u>\$ 74,867</u>	<u>\$</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 6,585</u>	<u>\$ 53</u>

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, 2024 and 2023

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. Compass Point commenced operations in September 2024. 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 and Compass Point operate on the fiscal year ended June 30. Short Michigan operates on a calendar year end. These consolidated financial statements represent the financial position and activities as of and for the twelve months ended June 30, 2024 and 2023.

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 in 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 gains on sale of property and equipment and other activities considered to be more unusual or nonrecurring in nature.

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

Fair Value of Financial Instruments

The carrying value of substantially all reported assets and liabilities, other than promises to give, operating lease right-of-use asset, finance lease right-of-use asset, operating lease liability, finance lease liability, and long-term debt, approximates fair value due to the relatively short-term nature of the financial instruments.

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

Amounts recognized for operating and finance lease right-of-use assets and lease liabilities approximate fair value due to present value adjustments determined by the Organization's incremental borrowing rate at the time of lease commencement.

Amounts recognized for 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 the reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, management evaluates the estimates and assumptions based on new information. 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 Receivable

Grants receivable are funds due from federal, state, or local governmental agencies and nonprofit organizations at fiscal year-end. Conditional grants receivable are not recognized in the consolidated financial statements until the conditions are substantially met. Unconditional grants receivable that are expected to be collected within one year are recorded at net realizable value. No allowance for uncollectible grants receivables has been recorded, as management believes that all amounts will be collected based on significant judgment and prior collection history.

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

Other Receivables

Other receivables consists primarily of rent and sales tax receivables. Other receivables are recorded at net realizable value and are considered by management to be fully collectible and therefore no allowance for credit losses has been recorded.

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 contributions 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.

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.

Assets and liabilities within the fair value 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.

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

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 consolidated 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.

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.

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 in-kind 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 10.

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 10.

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

Leases

The Organization determines if an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception. Operating leases are included as operating lease right-of-use (ROU) assets and operating lease liabilities in the accompanying consolidated statements of financial position. Finance leases are included as finance lease ROU assets and finance lease liabilities in the accompanying consolidated statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments, discounted using the Organization's incremental borrowing rate or the implied interest rates.

Lease terms may include options to renew when it is reasonably certain the Organization will exercise those options. Lease agreements do not contain any material residual value guarantees or restrictive covenants. The Organization has elected to apply the short-term lease exception to all leases with a remaining term of 12 months or less and those that are considered immaterial.

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. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidated statements of financial position.

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. 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 the lessor in operating leases. Rental income is accounted for on the straight-line basis over the lease term.

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 utilities and credit losses are allocated based on estimates of time and effort. Utilities and credit losses are directly related to program services.

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

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, 2024 and 2023, was \$44,070 and \$17,820, respectively.

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.

Prior Period Adjustment

During the year ended June 30, 2024, it was discovered that amounts accrued related to ongoing construction on Compass Point were incorrectly reported in the prior year. As a result, for the year ended June 30, 2023, property and equipment and accounts payable have each been increased by \$414,733 from amounts previously reported. No changes to net assets were made as a result of this misstatement.

Newly Adopted Accounting Pronouncements

During the year ended June 30, 2024, the Organization adopted the requirements of Accounting Standards Update (ASU) 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). The FASB also subsequently issued the following additional ASUs, which amend and clarify the ASU: ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*; ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*; ASU 2022-02, *Financial Instruments-Credit Losses (Topic 326)*; and ASU 2020-03, *Codification Improvements to Financial Instruments*. ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires entities to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable forecasts about collectability. Assets must be presented in the consolidated financial statements at the net amount expected to be collected and disclosures are required to provide users of the consolidated financial statements with useful information in analyzing the Organization's exposure to credit risk and the measurement of credit losses. Additional note disclosures have been added to Note 1, Other Receivables and Note 4, Contract Assets and Liabilities, as a result of the implementation of ASU 2016-13.

Note 2 - Net Assets

Net assets are described as follows:

At June 30	2024	2023
Net assets without donor restrictions:		
Undesignated	\$ 1,293,360	\$ 2,656,514
Investment in property and equipment	<u>2,727,399</u>	<u>2,656,514</u>
Net assets without donor restrictions	<u>4,020,759</u>	<u>2,656,514</u>
Net assets with donor restrictions:		
Subject to the passage of time:		
Compass Point property use for affordable housing	11,801,597	
Promises to give, net and grants receivable	111,089	122,056
Discounts on long-term debt	<u>519,204</u>	<u>549,815</u>
Total subject to the passage of time	<u>12,431,890</u>	<u>671,871</u>
Subject to expenditure for specified purpose:		
Supportive housing	8,884	
Capital campaign	<u>633,632</u>	<u>14,607,700</u>
Total subject to expenditure for specified purpose	<u>642,516</u>	<u>14,607,700</u>
Net assets with donor restrictions	<u>13,074,406</u>	<u>15,279,571</u>
Total net assets	<u>\$ 17,095,165</u>	<u>\$ 17,936,085</u>

Note 3 - Liquidity and Availability of Financial Assets

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

At June 30	2024	2023
Financial assets:		
Cash and equivalents	\$ 2,652,649	\$ 4,805,681
Grants receivable	1,155,320	1,210,745
Other receivables	165,456	80,350
Promises to give, net	<u>744,721</u>	<u>1,344,406</u>
Total financial assets	<u>4,718,146</u>	<u>7,441,182</u>
Amounts not available for general expenditure:		
Net assets with donor restrictions	(13,074,406)	(15,279,571)
Add back: restricted property and equipment	11,801,597	12,785,428
Add back: promises to give subject to passage of time, current portion	<u>86,089</u>	<u>122,056</u>
Total amounts not available for general expenditure	<u>(1,186,720)</u>	<u>(2,372,087)</u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,531,426</u>	<u>\$ 5,069,095</u>

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

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.

Line of Credit

The Organization maintains an unsecured line of credit with a local bank with maximum borrowings of up to \$250,000 and matures in July 2024. 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, 2024, was 9.25%. At June 30, 2024 and 2023, there was no outstanding balance on the line of credit.

Note 4 - Contract Assets and Liabilities

Grants and rent receivables represent the Organization's contract assets with an unconditional right to receive consideration from grantors and tenants. Grants receivables are recorded at invoiced amounts or amounts expected to be receivable based on contractual terms without conditions. Rent receivables are recorded at amounts expected to be receivable based on contractual terms and are included in other receivables on the accompanying consolidated statements of financial position.

The following table provides information about contract assets:

<u>At June 30</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Grants receivable	\$ 1,155,320	\$ 1,210,745	\$ 2,491,670
Accounts receivable	<u>30,855</u>	<u>363</u>	<u>363</u>
Total contract assets	\$ 1,186,175	\$ 1,211,108	\$ 2,492,033

Significant changes in the allowance for credit losses are as follows:

<u>Years Ended June 30</u>	<u>2024</u>	<u>2023</u>
Allowance for credit losses, beginning of year	\$	\$
Provision for credit losses	250	
Write-offs	<u>(250)</u>	<u></u>
Allowance for credit losses, end of year	\$	\$

Note 4 - Contract Assets and Liabilities (continued)

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>Years Ended June 30</u>	<u>2024</u>	<u>2023</u>
Deferred revenue, beginning of year	\$ 25,000	\$ 263,840
Revenue recognized that was included in deferred revenue at the beginning of the year	(25,000)	(263,840)
Increase in deferred revenue due to cash received	<u>148,982</u>	<u>25,000</u>
Deferred revenue, end of year	<u>148,982</u>	<u>25,000</u>
 Tenant security deposits, beginning of year	 25,221	 26,987
Reimbursements for damages recognized as revenue	(16,308)	(2,375)
Tenant security deposits refunded to tenants		(4,349)
Increase in tenant security deposits due to cash received	<u>30,894</u>	<u>4,958</u>
Tenant security deposits, end of year	<u>39,807</u>	<u>25,221</u>
 Total contract liabilities	 \$ 188,789	 \$ 50,221

Note 5 - Promises to Give

In connection with fundraising efforts for the purchase and renovation of 201 Tunnel Road, Homeward Bound launched a capital campaign, accepting multi-year pledges. Promises to give are recorded at net realizable value or at the present value of future cash flows and are shown as restricted net assets in the consolidated statements of financial position.

Unconditional promises to give are as follows:

<u>At June 30</u>	<u>2024</u>	<u>2023</u>
Promises to give:		
Annual campaign:		
Due in less than one year	\$ 86,089	\$ 122,056
One to five years	<u>25,000</u>	<u></u>
Total annual campaign	<u>111,089</u>	<u>122,056</u>

Note 5 - Promises to Give (continued)

At June 30	2024	2023
Capital campaign:		
Due in less than one year	\$ 537,469	\$ 867,269
One to five years	294,167	610,824
Total capital campaign	<u>831,636</u>	<u>1,478,093</u>
 Total unconditional promises to give	942,725	1,600,149
Less, allowance for uncollectible promises to give	(159,700)	(160,000)
Less, discount to net present value at 9.25%	<u>(38,304)</u>	<u>(95,743)</u>
 Total promises to give, net	<u>\$ 744,721</u>	<u>\$ 1,344,406</u>

Note 6 - Property and Equipment

Property and equipment consists of the following:

At June 30	2024	2023
Land	\$ 3,080,000	\$ 130,000
Buildings and improvements	14,912,032	2,691,964
Vehicles	97,532	52,522
Equipment and furniture	1,206,980	112,541
Multimedia	45,625	45,625
Construction in progress	<u>19,342,169</u>	<u>12,785,428</u>
	19,342,169	15,818,080
Less, accumulated depreciation	<u>(1,108,295)</u>	<u>(660,976)</u>
 Property and equipment	<u>\$ 18,233,874</u>	<u>\$ 15,157,104</u>

Depreciation expense for the years ended June 30, 2024 and 2023, was \$496,085 and \$92,769, respectively.

Land, buildings, and improvements with a carrying value of \$14,901,597 as of June 30, 2024, and construction in progress with a carrying value of \$12,785,428 as of June 30, 2023, has a lien 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:

At June 30	2024	2023
Accrued payroll and other related liabilities	\$ 164,798	\$ 151,878
Accrued compensated absences	86,568	66,469
Accrued interest	<u>151,550</u>	<u>48,199</u>
Accrued expenses	<u>\$ 402,916</u>	<u>\$ 266,546</u>

Note 8 - Leases

The Organization has operating and finance leases for office equipment and building space with terms extending through August 2028. Certain lease agreements include variable payments based on usage rates which are not determinable at lease commencement and are not included in the measurement of lease assets and liabilities. The discount rates for the operating and finance leases was determined based on the Organization's incremental borrowing rate.

The following summarizes the weighted average remaining lease terms and discount rates on lease obligations:

At June 30	2024	2023
Weighted Average Remaining Lease Term		
Operating lease	2.42 years	N/A
Finance lease	4.17 years	N/A
Weighted Average Discount Rate		
Operating lease	9.50%	N/A
Finance lease	9.50%	N/A

The following summarizes the line items in the accompanying consolidated statements of financial position which includes amounts for leases:

At June 30	2024	2023
Operating lease		
Operating lease right of use asset	<u>\$ 58,183</u>	<u>\$</u>
Operating lease liability	<u>\$ 59,583</u>	<u>\$</u>
Finance lease		
Office equipment	\$ 74,867	\$ 23,839
Accumulated amortization	<u>(12,478)</u>	<u>(23,839)</u>
Office equipment, net	<u>\$ 62,389</u>	<u>\$</u>
Finance lease liability	<u>\$ 64,714</u>	<u>\$</u>

Note 8 - Leases (continued)

Future minimum payments under the operating and finance lease liabilities are as follows:

Years Ending June 30	Operating	Finance
2025	\$ 26,000	\$ 18,720
2026	28,400	18,720
2027	12,250	18,720
2028		18,720
2029		3,120
Total payments	66,650	78,000
Less, imputed interest	(7,067)	(13,286)
Total lease obligations	\$ 59,583	\$ 64,714

The Organization also leased office space and apartments under non-cancelable operating leases. Leases with a remaining term of 12 months or less, or those that are considered immaterial, are not recorded in the consolidated statements of financial position. Management has determined all remaining operating leases meet this criterion and has not recognized operating lease agreements as operating lease liabilities. Lease expense is recognized for these leases on a straight-line basis over the lease term.

The following summarizes the line items in the accompanying consolidated statements of activities which include the components of lease costs:

Years Ending June 30	2024	2023
Short-term operating leases included in rent and automotive expenses	\$ 29,364	\$ 145,952
Short-term rental units used for client assistance	3,600	410,510
Total short-term operating leases	32,964	556,462
Operating lease costs:		
Operating lease costs included in rent	15,750	
Variable lease costs included in rent	2,830	
Total operating lease costs	18,580	
Finance lease costs:		
Amortization of lease asset included in depreciation and amortization expense	12,478	3,477
Interest on lease liability included in interest expense	5,447	53
Variable lease costs included in rent	6,490	7,288
Total finance lease costs	24,415	10,818
Total lease costs	\$ 75,959	\$ 567,280

Note 8 - Leases (continued)

The following summarizes cash flow information related to leases:

Years Ended June 30	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating lease	\$ 17,180	\$
Operating cash flow from finance lease	\$ 6,490	\$ 7,288
Finance cash flow from finance lease	15,600	3,787
Total cash paid for finance lease	\$ 22,090	\$ 11,075
Assets obtained in exchange for lease obligations:		
Operating lease	\$ 70,400	\$
Finance lease	\$ 74,867	\$

Note 9 - Long-term Debt

Long-term debt consists of the following:

At June 30	2024	2023
Noninterest bearing note payable due in monthly installments of \$1,000 through 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 \$1,101,693 at June 30, 2024	\$ 184,700	\$ 196,700
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 \$1,143,040 at June 30, 2024	193,810	210,710
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 \$1,143,040 at June 30, 2024	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 \$1,143,040 at June 30, 2024. Can be forgiven in full if certain guidelines are met in accordance with HOME program	330,000	330,000

Note 9 - Long-term Debt (continued)

<u>At June 30</u>	<u>2024</u>	<u>2023</u>
Interest bearing note payable due in variable semi-annual payments based on collections of capital campaign collections beginning June 2024 and a balloon payment for all remaining outstanding principal and interest due November 2027, at an interest rate of 2.50%, secured by property with a carrying value of \$14,901,597 at June 30, 2024, and promises to give	\$ 3,100,000	\$ 3,100,000
Interest bearing note payable due with a balloon payment in November 2027, at an interest rate of 3.10%, unsecured; can be forgiven in full if certain lender imposed criteria are met	<u>1,133,254</u>	<u> </u>
Total long-term debt	5,471,764	4,367,410
Less, unearned discount on long-term debt	<u>(519,204)</u>	<u>(549,815)</u>
Total long-term debt, net of unearned discount	4,952,560	3,817,595
Less, current maturities	<u>(742,989)</u>	<u>(17,644)</u>
<u>Long-term debt, net of current maturities</u>	<u>\$ 4,209,571</u>	<u>\$ 3,799,951</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:

<u>Years Ending June 30</u>	<u>Principal Payments</u>
2025	\$ 756,817
2026	730,449
2027	221,213
2028	2,793,975
2029	20,280
Thereafter	949,030
Less, unearned discount on long-term debt	<u>(519,204)</u>
<u>Principal payments on long-term debt</u>	<u>\$ 4,952,560</u>

Note 10 - 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:

<u>Year Ended June 30, 2024</u>			
	<u>Fair Value</u>	<u>Usage in Program</u>	<u>Donor Restriction</u>
Furniture and household goods	\$ 111,934	Supportive Housing	None
Advertising	<u>38,500</u>	Allocated to program services & fundraising	None
Total contributions of nonfinancial assets	<u>\$ 150,434</u>		

<u>Year Ended June 30, 2023</u>			
	<u>Fair Value</u>	<u>Usage in Program</u>	<u>Donor Restriction</u>
Furniture and household goods	\$ 147,845	Supportive Housing	None
Food	<u>1,000</u>	Supportive Housing	None
Total contributions of nonfinancial assets	<u>\$ 148,845</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 11 - Rental Income

Short Michigan and Compass Point lease building units under noncancelable lease agreements expiring through May 2025. Rental income under these lease agreements was \$778,333 and \$43,332, for the years ended June 30, 2024 and 2023, respectively. The future minimum rental income under all operating leases is \$474,838 for the year ending June 30, 2025.

Note 11 - Rental Income (continued)

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

<u>At June 30</u>	<u>2024</u>	<u>2023</u>
Cost	\$ 16,421,852	\$ 1,251,784
Less, accumulated depreciation	<u>(377,214)</u>	<u>(79,280)</u>
<u>Leased property, net</u>	<u>\$ 16,044,638</u>	<u>\$ 1,172,504</u>

Note 12 - Concentration of Credit Risk**Uninsured Cash Balances**

The Organization maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution. Generally, cash balances will exceed the FDIC insurance limits or be partially uninsured.

Concentration of Revenue

Concentrations of revenue exist when revenue from a single source equals 10% or more of the Organization's total revenue. Government grants from two grantors for the year ended June 30, 2024, totaled \$3,766,002. Government grants from three grantors for the year ended June 30, 2023, totaled \$4,610,927. Grants receivable from these grantors at June 30, 2024 and 2023, were \$997,116 and \$812,332, respectively.

Note 13 - Commitments and Contingencies**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.

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 \$25,042 and \$19,713, to the Plan during the years ended June 30, 2024 and 2023, respectively.

Note 15 - Related Party Transactions

Contributions from board members totaled \$74,755 and \$27,539 during the years ended June 30, 2024 and 2023, respectively. Promises to give outstanding from board members totaled \$375 and \$5,108 at June 30, 2024 and 2023, respectively.

Note 16 - 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, 2023, 2022, and 2021, are subject to examination by the IRS, generally for three years after they were filed.

Note 17 - Subsequent Events

Management has evaluated subsequent events through March 18, 2025, which is the date the consolidated financial statements were available to be issued.

In July 2024, the existing line of credit maturity date was extended to July 2025.

In August 2024, the Organization received an unrestricted contribution for approximately \$141,000.

In September 2024, the Organization received notification from the lender for a loan with a carrying value of \$3,100,000 that the first payment due date was extended from June 2024 to June 2025. Additionally, the interest rate charged on the loan was reduced from 2.5% to 0%.

Note 17 - Subsequent Events (continued)

In September 2024, Hurricane Helene caused disruption and destruction in the Western North Carolina region. The Organization experienced minor damage to physical property as a result of the storm and certain services were temporarily suspended due to facility closures. Additionally, the Organization received a significant amount of support from the local community and received a \$500,000 grant from a local nonprofit organization for Hurricane Helene crisis response in November 2024.

In October 2024, a fire significantly damaged one of the rental unit buildings owned and operated by Short Michigan. The building has an approximate carrying value of \$114,000 as of June 30, 2024. In February 2025, the Organization received an insurance claim reimbursement of approximately \$132,000 for sustained losses as a result of the fire.

SUPPLEMENTARY INFORMATION

HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC. AND SUBSIDIARIES

Consolidating Statement of Financial Position June 30, 2024

	Homeward Bound	Compass Point Village	Short Michigan	Eliminations	Total
Assets					
Current assets:					
Cash and equivalents	\$ 2,494,953	\$	\$ 117,682	\$	\$ 2,612,635
Restricted cash and equivalents		14,800	25,214		40,014
Grants receivable	1,155,320				1,155,320
Other receivables	149,690	30,855		(15,089)	165,456
Promises to give, current portion	623,558				623,558
Prepaid expenses	4,856		(174)		4,682
Total current assets	4,428,377	45,655	142,722	(15,089)	4,601,665
Promises to give, net of current portion	121,163				121,163
Operating lease right-of-use asset	58,183				58,183
Finance lease right-of-use asset	62,389				62,389
Property and equipment, net	2,184,159	14,901,597	1,148,118		18,233,874
Investment in subsidiaries	15,636,542			(15,636,542)	
Total assets	<u>\$ 22,490,813</u>	<u>\$ 14,947,252</u>	<u>\$ 1,290,840</u>	<u>\$ (15,651,631)</u>	<u>\$ 23,077,274</u>
Liabilities, net assets, and member's interest					
Current liabilities:					
Current portion of operating lease liability	\$ 21,435	\$	\$	\$	\$ 21,435
Current portion of finance lease liability	13,289				13,289
Current maturities of long-term debt	725,916		17,073		742,989
Accounts payable	310,518		18,118	(15,089)	313,547
Accrued expenses	402,916				402,916
Deferred revenue	148,982	14,800	25,007		188,789
Total current liabilities	1,623,056	14,800	60,198	(15,089)	1,682,965
Operating lease liability, net of current portion	38,148				38,148
Finance lease liability, net of current portion	51,425				51,425
Long-term debt, net of current maturities	3,683,019		526,552		4,209,571
Total liabilities	5,395,648	14,800	586,750	(15,089)	5,982,109
Net assets and member's interest:					
Without donor restrictions	4,020,759				4,020,759
With donor restrictions	13,074,406				13,074,406
Member's interest		14,932,452	704,090	(15,636,542)	
Total net assets and member's interest	17,095,165	14,932,452	704,090	(15,636,542)	17,095,165
Total liabilities, net assets, and member's interest	<u>\$ 22,490,813</u>	<u>\$ 14,947,252</u>	<u>\$ 1,290,840</u>	<u>\$ (15,651,631)</u>	<u>\$ 23,077,274</u>

HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC. AND SUBSIDIARIES

Consolidating Statement of Activities Year Ended June 30, 2024

	Homeward Bound	Compass Point Village	Short Michigan	Eliminations	Total
Public support and other revenues					
Grants	\$ 5,191,453	\$ 176,317	\$	\$	\$ 5,367,770
Contributions	1,829,843	26,780			1,856,623
In-kind contributions	150,434				150,434
Rental income		1,033,324	167,615	(422,606)	778,333
Interest	61,498		4		61,502
Other	10,887	4,873	13,320	(4,732)	24,348
Total public support and other revenues	<u>7,244,115</u>	<u>1,241,294</u>	<u>180,939</u>	<u>(427,338)</u>	<u>8,239,010</u>
Expenses					
Program services	6,304,328	1,860,728	184,128	(427,338)	7,921,846
Supporting services	1,167,257				1,167,257
Total expenses	<u>7,471,585</u>	<u>1,860,728</u>	<u>184,128</u>	<u>(427,338)</u>	<u>9,089,103</u>
Decrease in net assets and member's interest before other gains (losses)	<u>(227,470)</u>	<u>(619,434)</u>	<u>(3,189)</u>		<u>(850,093)</u>
Other gains (losses)					
Gain on sale of property and equipment	9,173				9,173
Losses on investment in subsidiaries	(622,623)			622,623	
Total other gains (losses)	<u>(613,450)</u>			<u>622,623</u>	<u>9,173</u>
Increase (decrease) in net assets and member's interest	(840,920)	(619,434)	(3,189)	622,623	(840,920)
Net assets and member's interest at beginning of year	17,936,085	12,785,428	707,279	(13,492,707)	17,936,085
Member contributions		2,781,258		(2,781,258)	
Net assets and member's interest at end of year	<u>\$ 17,095,165</u>	<u>\$ 14,947,252</u>	<u>\$ 704,090</u>	<u>\$ (15,651,342)</u>	<u>\$ 17,095,165</u>

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, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 18, 2025.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a material weakness.

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

Report on Internal Control over Financial Reporting (continued)

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-002 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 18, 2025.

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 on Homeward Bound of Western North Carolina, Inc. and Subsidiaries' response to the findings 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 consolidated 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 18, 2025

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, 2024. 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 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, 2024.

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-003, to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Homeward Bound of Western North Carolina, Inc. and Subsidiaries' response to the internal control over compliance finding identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

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 18, 2025

HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC. AND SUBSIDIARIES

Schedule of Expenditures of Federal and State Awards Year Ended June 30, 2024

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor Number</u>	<u>Expenditures</u>
Federal Awards			
<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	00045325 & 00046777	\$ 94,579
COVID-19 - Emergency Solutions Grants Program	14.231	00041412 & 00045833	<u>67,468</u>
Total Emergency Solutions Grants Program			162,047
Passed through City of Asheville, North Carolina:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218	92400242	37,900
Continuum of Care Program	14.267		<u>1,590,170</u>
Total U.S. Department of Housing and Urban Development			1,790,117
<u>U.S. Department of Veterans Affairs</u>			
VA Health Administration Center:			
VA Supportive Services for Veteran Families Program	64.033		2,174,195
<u>U.S. Department of Homeland Security</u>			
Federal Emergency Management Agency			
Emergency Food and Shelter National Board Program	97.024		5,000
<u>U.S. Department of the Treasury</u>			
Passed through Buncombe County, North Carolina:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	FRF0001	<u>195,000</u>
Total expenditures of federal awards			<u>\$ 4,164,312</u>

HOMeward BOUND OF WESTERN NORTH CAROLINA, INC. AND SUBSIDIARIES

Schedule of Expenditures of Federal and State Awards (continued) Year Ended June 30, 2024

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/Pass-through Grantor Number</u>	<u>Expenditures</u>
State Awards			
<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	\$ 132,820
North Carolina Medicaid Division of Health Benefits:			
Passed through Impact Health:			
Healthy Opportunities Pilot Program			<u>146</u>
Total expenditures of state awards			<u>\$ 132,966</u>

HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC. AND SUBSIDIARIES

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2024

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, 2024. 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.

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section I - Summary of Auditors' Results

Consolidated Financial Statements

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

Federal Awards

Internal control over compliance	
Material weakness(es) identified?	<u> </u> yes <u> X </u> no
Significant deficiency(ies) identified?	<u> X </u> yes <u> </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)?	<u> X </u> yes <u> </u> no

Identification of major federal programs:

AL# 14.267 - Continuum of Care Program

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 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, 2024

Section II - Financial Statement Findings

Finding 2024-001 - Bank Reconciliations

MATERIAL WEAKNESS

Criteria: Bank statements should be reconciled to the accounting records in a timely manner to determine that all transactions are properly authorized and recorded. Outstanding and uncleared transactions should be investigated for accuracy

Condition: The bank reconciliation for the operating account was not performed in a timely manner after fiscal year end. Additionally, a material amount of invalid outstanding transactions dating back to October 2023 were not properly investigated and corrected at fiscal year end.

Effect: Fraud could occur and go undetected for an extended period of time. Management may have incomplete information in order to make decisions and determine the financial position the Organization is in throughout the fiscal year.

Cause: Changes in personnel and procedures resulted in bank reconciliations not being performed in a timely and complete manner.

Recommendation: Bank reconciliations should occur within a timely manner after bank statements are received on a monthly basis. Uncleared transactions should be investigated to determine that they are properly recorded and should not be allowed to carry forward for an extended period of time.

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

Finding 2024-002 - Donor Pledges and Grant Receivables Reconciliation

SIGNIFICANT DEFICIENCY

Criteria: Account balances for promises to give should be reconciled to the donor software on a regular basis and grants receivable aging reports should be reviewed and reconciled to the accounting records on a regular basis to ensure the accounting records are accurate, proper, and complete

Condition: The accounting records omitted significant promises to give activity including new promises to give and payments on existing promises to give. Grant receivable aging reports contain errors and significantly aged balances.

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

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

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2024

Finding 2024-002 - Donor Pledges and Grant Receivables Reconciliation (continued)

Cause: Strains on the Organization due to personnel transitions.

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. The grants receivable aging schedule should be reviewed on a monthly basis to determine that balances are accurately recorded and agree in total to the account balance. Aged balances should be investigated for accuracy and collectability.

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

Finding 2024-003 - Program Director's Review

SIGNIFICANT DEFICIENCY

Federal Program: AL# 64.033 - VA Supportive Services for Veteran Families Program

Criteria: The Organization's policy is to perform case file checklists that are reviewed by the program director to determine the participant is eligible and the case file is complete and for program directors to review and approve the monthly projection worksheets prepared by finance as reconciled to the general ledger.

Condition: Case file checklists were not formerly reviewed and approved by the program director. As mitigating factors, the case files were neatly assembled and exit checklists were being performed to determine completeness of files. Fourteen out of twenty monthly reimbursement requests were not reviewed and approved by the program director. The Program Director began to formally review and approve the projection worksheets in April 2024.

Effect: Case files could be incomplete, inaccurately assembled, and assistance could be provided for an ineligible participant. Checklists only performed during the exit process could result in missing documentation going undetected for an extended period of time. Reimbursement requests for the program could be inaccurately prepared and assembled.

Cause: Strains on the Organization due to personnel transitions.

Recommendation: Program directors should review and approve the case files prepared by case workers. Compiled data prepared by finance in the projection worksheets should also be reviewed and approved before requests for reimbursement of federal funds.

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



Corrective Action Plan
For the Year Ended June 30, 2024

Finding 2024-001 - Bank Reconciliations

Name of Contact Person:
Tarakanita Boestan-Smith

Corrective Action:

- 1) Each bank account will be reconciled by the 10th day of the following month. Bank discrepancies will be communicated to the Finance Director for resolution with the bank within five (5) working days of the bank reconciliation. Posting discrepancies will be documented and corrected in the accounting system within five (5) working days of the bank reconciliation.
- 2) Outstanding transactions or payments (checks) will be investigated on a monthly basis. Outstanding checks that meet the definition of unclaimed property by the state will be remitted to the state as outlined in the state's unclaimed property rules and guidance.

Completion Date:

The corrective action number 1 had been implemented during November 2024. The correction action number 2 is ongoing process that has started during January 2025.

Finding 2024-002 - Donor Pledges and Grant Receivables Reconciliation

Name of Contact Person:
Tarakanita Boestan-Smith and Jessie Figueroa

Corrective Action:

When RD Department receives pledges, they will input the full pledge amount in Bloomerang and the schedule for when it will get pay. RD will inform Finance so Finance will enter it into Finance software.

RD and Finance departments will do pledge payments and new pledges reconciliations monthly.

RD department will do semiannually review to give reminder for pledge payments to donors.

Completion Date:

Ongoing process.



Corrective Action Plan (continued)
For the Year Ended June 30, 2024

Finding 2024-003 - Program Director's Review

Name of Contact Person:
Sara Gaul

Corrective Action:

Case File Oversight:

- The Program Director has always reviewed case files but previously failed to sign the checklists. This has now been corrected and checklists are being signed upon review.
- This process will continue to ensure proper documentation and compliance.
- The Department structure is currently being reviewed with additional staff likely to add capacity and oversight.

Financial Review & Approval Process:

- The Finance team will continue preparing projection worksheets reconciled to the general ledger.
- The Program Director will formally review and approve these financial documents before reimbursement requests are submitted.
- We resolved this deficiency in April 2024 and have put the following additional controls in place to prevent this deficiency from recurring.

Training & Standardization:

- All program staff, including case managers and finance personnel, will receive training on compliance and proper documentation.
- A standardized process and accountability measures will be in place to maintain adherence to these corrective actions.

Monitoring & Reporting:

- Quarterly internal audits will be conducted to verify compliance with the updated review and approval process.
- An internal compliance officer or manager will oversee adherence to the new protocols.

Completion Date:

Full compliance with these measures is expected by the end of the next reporting quarter.

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

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024

Reported findings for the year ended June 30, 2023:

Finding 2023-001 - Donor Pledge Reconciliation

Status: This finding is repeated as finding 2024-002.

Finding 2023-002 - Program Director's Review

Status: This finding is repeated as finding 2024-003.

Reported finding for the year ended June 30, 2022:

Finding 2022-001 - Donor Pledge Reconciliation

Status: This finding is repeated as finding 2024-002.