



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

Asheville, North Carolina

Consolidated Financial Statements and
Supplementary Information

Years Ended June 30, 2025 and 2024

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

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

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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, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the 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, 2025 and 2024, 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 statement of financial position, consolidating statement of 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 December 22, 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
December 22, 2025

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

Consolidated Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 4,354,582	\$ 2,612,635
Restricted	43,993	40,014
Grants receivable, current portion	1,214,037	1,155,320
Other receivables	38,288	165,456
Promises to give, current portion	407,710	623,558
Prepaid expenses, current portion	89,791	4,682
Total current assets	6,148,401	4,601,665
Grants receivable, net of current portion	388,875	
Promises to give, net of current portion	258,834	121,163
Prepaid expenses, net of current portion	156,744	
Operating lease right-of-use asset	35,748	58,183
Finance lease right-of-use asset	47,416	62,389
Beneficial interest in endowment fund	33,529	
Property and equipment, net	17,632,679	18,233,874
Total assets	\$ 24,702,226	\$ 23,077,274
Liabilities and net assets		
Current liabilities:		
Current portion of operating lease liability	\$ 26,089	\$ 21,435
Current portion of finance lease liability	14,608	13,289
Current maturities of long-term debt	1,597,392	742,989
Accounts payable	120,648	313,547
Accrued expenses	348,933	402,916
Deferred revenue	104,338	188,789
Total current liabilities	2,212,008	1,682,965
Operating lease liability, net of current portion	12,059	38,148
Finance lease liability, net of current portion	36,817	51,425
Long-term debt, net of current maturities	3,326,994	4,209,571
Total liabilities	5,587,878	5,982,109
Net assets:		
Without donor restrictions	5,416,515	4,020,759
With donor restrictions	13,697,833	13,074,406
Total net assets	19,114,348	17,095,165
Total liabilities and net assets	\$ 24,702,226	\$ 23,077,274

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, 2025

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Public support and other revenues			
Grants	\$ 296,500	\$ 8,097,397	\$ 8,393,897
Contributions	2,264,532	157,687	2,422,219
In-kind contributions	211,397		211,397
Rental income	1,208,185		1,208,185
Healthy Opportunities Pilot program	190,035		190,035
Investment income, net	51,860		51,860
Other	17,112		17,112
Net assets released from restrictions	<u>7,631,657</u>	<u>(7,631,657)</u>	
Total public support and other revenues	<u>11,871,278</u>	<u>623,427</u>	<u>12,494,705</u>
Expenses			
Program services	9,347,748		9,347,748
Supporting services	<u>1,129,043</u>		<u>1,129,043</u>
Total expenses	<u>10,476,791</u>		<u>10,476,791</u>
Increase in net assets before other gains	<u>1,394,487</u>	<u>623,427</u>	<u>2,017,914</u>
Other gains			
Gain on disposal of property and equipment	48		48
Net gains on beneficial interest in endowment fund	<u>1,221</u>		<u>1,221</u>
Total other gains	<u>1,269</u>		<u>1,269</u>
Increase in net assets	1,395,756	623,427	2,019,183
Net assets at beginning of year	<u>4,020,759</u>	<u>13,074,406</u>	<u>17,095,165</u>
Net assets at end of year	<u>\$ 5,416,515</u>	<u>\$ 13,697,833</u>	<u>\$ 19,114,348</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 <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
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	774,645		774,645
Healthy Opportunities Pilot program	3,688		3,688
Investment income, net	61,502		61,502
Other	24,348		24,348
Net assets released from restrictions	<u>8,213,637</u>	<u>(8,213,637)</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>1,167,257</u>
Total expenses	<u>9,089,103</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 disposal of property and equipment	<u>9,173</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 Functional Expenses
Year Ended June 30, 2025

	Program Services			Supporting Services			Total
	Homeless Services	Supportive Housing	Total Program Services	Management & General	Fundraising	Total Supporting Services	
Salaries	\$ 759,936	\$ 2,920,815	\$ 3,680,751	\$ 395,509	\$ 233,969	\$ 629,478	\$ 4,310,229
Payroll taxes	54,289	221,650	275,939	43,780	19,062	62,842	338,781
Benefits	91,147	376,654	467,801	28,471	25,524	53,995	521,796
Total salaries and related	905,372	3,519,119	4,424,491	467,760	278,555	746,315	5,170,806
Client assistance	149,437	3,405,584	3,555,021	1,661	12,618	14,279	3,569,300
Administrative	2,076	12,097	14,173	8,531	19,471	28,002	42,175
Automotive expenses	38	5,539	5,577				5,577
Dues and subscriptions	1,507	48	1,555	3,359	2,145	5,504	7,059
Insurance	10,393	74,451	84,844	5,996	884	6,880	91,724
Maintenance and repairs	21,795	130,676	152,471		35	35	152,506
Professional fees	325	12,790	13,115	99,012		99,012	112,127
Public relations		246	246		34,760	34,760	35,006
Printing					11,599	11,599	11,599
Rent	1,224	32,965	34,189				34,189
Security	3,543	6,116	9,659				9,659
Staff development	21,738	17,430	39,168	36,657	3,460	40,117	79,285
Technology and communication	15,321	69,169	84,490	20,289	13,394	33,683	118,173
Travel and mileage	8,689	78,133	86,822	4,064	1,186	5,250	92,072
Utilities	42,265	193,834	236,099				236,099
Total expenses before depreciation and amortization and interest	1,183,723	7,558,197	8,741,920	647,329	378,107	1,025,436	9,767,356
Depreciation and amortization	103,427	397,520	500,947	53,828	31,843	85,671	586,618
Interest	21,654	83,227	104,881	11,269	6,667	17,936	122,817
Total expenses	<u>\$ 1,308,804</u>	<u>\$ 8,038,944</u>	<u>\$ 9,347,748</u>	<u>\$ 712,426</u>	<u>\$ 416,617</u>	<u>\$ 1,129,043</u>	<u>\$ 10,476,791</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			Total
	Homeless Services	Supportive Housing	Total Program Services	Management & General	Fundraising	Total Supporting Services	
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 Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 2,019,183	\$ (840,920)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	586,618	496,085
Amortization of operating lease right-of-use asset	22,435	12,217
Provision for credit losses		250
Present value adjustment	47,787	(57,439)
Unearned discount on long-term debt	(177,494)	
Amortization of discount on long-term debt	90,997	30,611
Gain on disposal of property and equipment	(48)	(9,173)
Forgiveness of interest payable	(142,083)	
Receipt of donated prepaid expenses	(61,188)	
Receipt of donated stock	(81,204)	(110,368)
Receipt of donated beneficial interest in endowment fund	(7,568)	
Net gains on beneficial interest in endowment fund	(1,221)	
Changes in working capital sources (uses):		
Grants receivable	(483,717)	55,425
Other receivables	127,168	(85,356)
Promises to give	66,515	657,124
Prepaid expenses	(88,372)	12,277
Accounts payable	(192,899)	(645,984)
Accrued expenses	88,100	136,370
Deferred revenue	(84,451)	138,568
Operating lease liability	(21,435)	(10,817)
Contributions restricted for long-term purposes	(3,150)	(1,271,098)
Net cash provided (used) by operating activities	1,703,973	(1,492,228)
Cash flows from investing activities		
Proceeds from sale of donated stock	81,204	110,368
Contributions to beneficial interest in endowment fund	(25,000)	
Change in beneficial interest in endowment fund	260	
Purchase of property and equipment	(102,402)	(3,151,471)
Proceeds from sale of property and equipment	132,000	15,000
Net cash provided (used) by investing activities	86,062	(3,026,103)
Cash flows from financing activities		
Contributions restricted for long-term purposes	3,150	1,271,098
Proceeds from line of credit		42,609
Proceeds from issuance of long-term debt		1,133,254
Principal repayments on line of credit		(42,609)
Principal repayments on finance lease liability	(13,289)	(10,153)
Principal repayments on long-term debt	(33,970)	(28,900)
Net cash provided (used) by financing activities	(44,109)	2,365,299

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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net increase (decrease) in cash and equivalents and restricted cash	\$ 1,745,926	\$ (2,153,032)
Cash and equivalents and restricted cash at beginning of year	<u>2,652,649</u>	<u>4,805,681</u>
Cash and equivalents and restricted cash at end of year	<u>\$ 4,398,575</u>	<u>\$ 2,652,649</u>
Schedule of noncash investing and financing activities		
Prepaid asset obtained in exchange for long-term debt	<u>\$ 92,293</u>	<u>\$ _____</u>
Operating lease right-of-use asset obtained in exchange for operating lease liability	<u>\$ _____</u>	<u>\$ 70,400</u>
Finance lease right-of-use asset obtained in exchange for finance lease liability	<u>\$ _____</u>	<u>\$ 74,867</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 5,431</u>	<u>\$ 6,585</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, 2025 and 2024

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 approximately 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, 2025 and 2024.

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 resources that generate return from the beneficial interest in endowment fund, gains on disposal 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 grants receivable, promises to give, beneficial interest in endowment fund, 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 grants receivable approximates fair value due to net present value adjustments applied to outstanding balances.

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

The fair value of the beneficial interest in endowment fund is discussed in Note 8.

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 separate trust accounts in accordance with State laws.

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.

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

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. Unconditional grants receivable 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 grants receivable are expected to be received. Amortization of the discount is included in grants revenue. 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. Grants receivable are considered impaired if full payment is not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible grants receivable when management determines collection is unlikely.

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.

Hosting Arrangements

The Organization accounts for implementation costs incurred in a hosting arrangement that is a service contract in accordance with professional standards. Implementation costs for cloud computing arrangements are included in prepaid expenses in the accompanying consolidated statements of financial position and are amortized over the estimated useful lives of the underlying assets, generally five years.

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.

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

Fair Value Measurements and Disclosures (continued)

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.

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.

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

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 13.

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 13.

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.

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

Revenue Recognition

Contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return of the asset or right of release of the obligation - are not recognized until the conditions on which they depend have been met. 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.

Healthy Opportunity Pilot (HOP) program revenue is recorded at the transaction price estimated to reflect the total consideration due from third-party payors in exchange for providing goods and services to clients. These goods and services are considered to have a single performance obligation and have a duration of less than one year. Revenues are recorded as these goods and services are provided. The transaction price is determined based on third-party contractual arrangements. Payments received in advance of services being provided are recorded as deferred revenue in the accompanying consolidated statements of financial position.

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 automotive expenses, printing, security, utilities, and credit losses are allocated based on estimates of time and effort. Automotive expenses, security, utilities, and credit losses are directly related to program services. Printing is directly related to fundraising which is a supporting service.

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, 2025 and 2024, was \$12,271 and \$44,070, respectively.

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

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.

Newly Adopted Accounting Pronouncement

During the year ended June 30, 2025, the Organization adopted the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2023-01 *Leases (Topic 842): Common Control Arrangements*. ASU 2023-01 provides guidance on determining if an arrangement between entities under common control qualifies as a lease and the accounting treatment of that arrangement if the agreement qualifies as a lease. Additionally, the ASU provides guidance on the accounting for leasehold improvements related to related party leases. The implementation of this standard did not have a material impact on the Organization's consolidated financial statements and related disclosures.

Note 2 - Net Assets

Net assets are described as follows:

<u>At June 30</u>	<u>2025</u>	<u>2024</u>
Net assets without donor restrictions:		
Undesignated	\$ 3,157,122	\$ 1,293,360
Investment in property and equipment	2,233,432	2,727,399
Board-designated beneficial interest in endowment fund	<u>25,961</u>	<u> </u>
Net assets without donor restrictions	<u>5,416,515</u>	<u>4,020,759</u>
Net assets with donor restrictions:		
Subject to the passage of time:		
Compass Point property use for affordable housing	11,478,093	11,801,597
Promises to give, net	283,158	111,089
Grants receivable, net	813,875	<u> </u>
Discounts on long-term debt	<u>619,026</u>	<u>519,204</u>
Total subject to the passage of time	<u>13,194,152</u>	<u>12,431,890</u>
Subject to expenditure for specified purpose:		
Supportive housing	112,727	8,884
Capital campaign	<u>383,386</u>	<u>633,632</u>
Total subject to expenditure for specified purpose	<u>496,113</u>	<u>642,516</u>
Subject to the Organization's spending policy:		
Beneficial interest in endowment fund	<u>7,568</u>	<u> </u>
Net assets with donor restrictions	<u>13,697,833</u>	<u>13,074,406</u>
<u>Total net assets</u>	<u>\$ 19,114,348</u>	<u>\$ 17,095,165</u>

Note 3 - Liquidity and Availability of Financial Assets

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

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

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

<u>At June 30</u>	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and equivalents	\$ 4,398,575	\$ 2,652,649
Grants receivable	1,602,912	1,155,320
Other receivables	38,288	165,456
Promises to give, net	666,544	744,721
Beneficial interest in endowment fund	<u>33,529</u>	
Total financial assets	<u>6,739,848</u>	<u>4,718,146</u>
Amounts not available for general expenditure:		
Net assets with donor restrictions	(13,697,833)	(13,074,406)
Add back: restricted property and equipment	11,478,093	11,801,597
Add back: promises to give subject to passage of time, current portion	120,124	86,089
Add back: restricted grants receivable, current portion	<u>425,000</u>	
Total amounts not available for general expenditure	<u>(1,674,616)</u>	<u>(1,186,720)</u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,065,232</u>	<u>\$ 3,531,426</u>

Line of Credit

The Organization maintains an unsecured line of credit with a local bank with maximum borrowings of up to \$450,000 and matures in June 2027. 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, 2025, was 8.5%. At June 30, 2025 and 2024, 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. Grants receivable expected to be collected in more than one year are recorded at the present value of future cash flows. 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>2025</u>	<u>2024</u>	<u>2023</u>
Grants receivable			
Due in less than one year	\$ 1,214,037	\$ 1,155,320	\$ 1,210,745
One to five years	<u>425,000</u>	<u> </u>	<u> </u>
Total grants receivable	1,639,037	1,155,320	1,210,745
Less, discount to net present value at 8.5%	<u>(36,125)</u>	<u> </u>	<u> </u>
Grants receivable, net	1,602,912	1,155,320	1,210,745
Rent receivables	<u>22,098</u>	<u>30,855</u>	<u>363</u>
<u>Total contract assets</u>	<u>\$ 1,625,010</u>	<u>\$ 1,186,175</u>	<u>\$ 1,211,108</u>

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

<u>Years Ended June 30</u>	<u>2025</u>	<u>2024</u>
Allowance for credit losses, beginning of year	\$	\$
Provision for credit losses		250
Write-offs	<u> </u>	<u>(250)</u>
<u>Allowance for credit losses, end of year</u>	<u>\$</u>	<u>\$</u>

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

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

Note 4 - Contract Assets and Liabilities (continued)

Significant changes in contract liabilities from contracts with customers are as follows:

<u>Years Ended June 30</u>	<u>2025</u>	<u>2024</u>
Deferred revenue, beginning of year	\$ 148,982	\$ 25,000
Revenue recognized that was included in deferred revenue at the beginning of the year	(148,982)	(25,000)
Increase in deferred revenue due to cash received	<u>57,745</u>	<u>148,982</u>
Deferred revenue, end of year	<u>57,745</u>	<u>148,982</u>
Tenant security deposits, beginning of year	39,807	25,221
Reimbursements for damages recognized as revenue	(6,155)	(16,308)
Tenant security deposits refunded to tenants	(6,083)	
Increase in tenant security deposits due to cash received	<u>19,024</u>	<u>30,894</u>
Tenant security deposits, end of year	<u>46,593</u>	<u>39,807</u>
<u>Total contract liabilities</u>	<u>\$ 104,338</u>	<u>\$ 188,789</u>

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>2025</u>	<u>2024</u>
Promises to give:		
Annual campaign:		
Due in less than one year	\$ 120,124	\$ 86,089
One to five years	<u>213,000</u>	<u>25,000</u>
Total annual campaign	<u>333,124</u>	<u>111,089</u>
Capital campaign:		
Due in less than one year	432,617	537,469
One to five years	<u>95,800</u>	<u>294,167</u>
Total capital campaign	<u>528,417</u>	<u>831,636</u>
Total unconditional promises to give	861,541	942,725
Less, allowance for uncollectible promises to give	(145,031)	(159,700)
Less, discount to net present value at 8.50% to 9.25%	<u>(49,966)</u>	<u>(38,304)</u>
<u>Total promises to give, net</u>	<u>\$ 666,544</u>	<u>\$ 744,721</u>

Note 6 - Prepaid Expenses

Prepaid expenses include the Organization's investment in software subscription services and software implementation costs. There were no software implementation cost expenses recognized for the years ended June 30, 2025 and 2024.

In April 2025, the Organization entered into a note payable agreement to finance a software subscription service as described in Note 12. The Organization's investment in the software subscription service will be amortized ratably on the straight-line basis through March 2028. The Organization also entered into multiple contracts for the development of customized subscription software packages with accompanying hosting arrangements. Details of prepaid expenses are as follows:

<u>At June 30</u>	<u>2025</u>	<u>2024</u>
Subscription services	\$ 152,905	\$
Software implementation costs	74,301	
Other prepaid expenses	<u>19,329</u>	<u>4,682</u>
<u>Total prepaid expenses</u>	<u>\$ 246,535</u>	<u>\$ 4,682</u>

The following is the estimated future expense for software implementation costs:

<u>Years Ending June 30</u>	
2026	\$ 14,860
2027	14,860
2028	14,860
2029	14,860
2030	<u>14,861</u>
<u>Total</u>	<u>\$ 74,301</u>

Note 7 - Beneficial Interest in Endowment Fund

The beneficial interest in endowment fund is managed by the Community Foundation of Western North Carolina, Inc. (Foundation). The fund agreement grants variance power to the Foundation. This power allows the Board of Directors of the Foundation to modify or institute court action to modify any condition or restriction on the use and distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board of Directors (without the approval of any trustee, custodian, or agent), such condition or restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the region served by the Foundation. Under the terms of the agreement, the Organization can withdraw a portion of the original principal provided that the governing board of the Organization and the Foundation approve the withdrawal except for \$25,000 required minimum balance as stipulated in the terms of the fund agreement. The Organization's beneficial interest in endowment fund is invested in an allocated investment pool at the Foundation and is presented in the consolidated financial statements in the aggregate at fair value.

Note 8 - Fair Value Measurements

The beneficial interest in endowment fund is reported in the accompanying consolidated financial statements at estimated fair value in accordance with the fair value hierarchy. The fair value of the beneficial interest in endowment fund is provided by the Foundation. Due to the inputs being unobservable, the instrument is categorized as Level 3. A reconciliation of Level 3 inputs is as follows:

<u>Years Ended June 30</u>	<u>2025</u>	<u>2024</u>
Level 3 inputs, beginning of the year	\$	\$
Contributions	32,568	
Interest and dividends	79	
Investment fees	(339)	
Net gains	<u>1,221</u>	<u></u>
<u>Level 3 inputs, end of year</u>	<u>\$ 33,529</u>	<u>\$</u>

Note 9 - Property and Equipment

Property and equipment consists of the following:

<u>At June 30</u>	<u>2025</u>	<u>2024</u>
Land	\$ 3,080,000	\$ 3,080,000
Buildings and improvements	14,858,111	14,912,032
Vehicles	97,532	97,532
Equipment and furniture	1,206,979	1,206,980
Multimedia	45,625	45,625
Construction in progress	<u>7,170</u>	<u></u>
	19,295,417	19,342,169
Less, accumulated depreciation	<u>(1,662,738)</u>	<u>(1,108,295)</u>
<u>Property and equipment</u>	<u>\$ 17,632,679</u>	<u>\$ 18,233,874</u>

Depreciation expense for the years ended June 30, 2025 and 2024, was \$571,645 and \$483,607, respectively.

Land, buildings, and improvements with a carrying value of \$14,578,093 and \$14,901,597 at June 30, 2025 and 2024, respectively, 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 10 - Accrued Expenses

Accrued expenses are described as follows:

<u>At June 30</u>	<u>2025</u>	<u>2024</u>
Accrued payroll and other related liabilities	\$ 200,864	\$ 164,798
Accrued compensated absences	112,212	86,568
Accrued interest	<u>35,857</u>	<u>151,550</u>
<u>Accrued expenses</u>	<u>\$ 348,933</u>	<u>\$ 402,916</u>

Note 11 - 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:

<u>At June 30</u>	<u>2025</u>	<u>2024</u>
Weighted Average Remaining Lease Term		
Operating lease	1.42 years	2.42 years
Finance lease	3.17 years	4.17 years
Weighted Average Discount Rate		
Operating lease	9.50%	9.50%
Finance lease	9.50%	9.50%

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

<u>At June 30</u>	<u>2025</u>	<u>2024</u>
Operating lease		
Operating lease right of use asset	<u>\$ 35,748</u>	<u>\$ 58,183</u>
Operating lease liability	<u>\$ 38,148</u>	<u>\$ 59,583</u>
Finance lease		
Office equipment	\$ 74,867	\$ 74,867
Accumulated amortization	<u>(27,451)</u>	<u>(12,478)</u>
Office equipment, net	<u>\$ 47,416</u>	<u>\$ 62,389</u>
Finance lease liability	<u>\$ 51,425</u>	<u>\$ 64,714</u>

Note 11 - Leases (continued)

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

<u>Years Ending June 30</u>	<u>Operating</u>	<u>Finance</u>
2026	\$ 28,400	\$ 18,720
2027	12,250	18,720
2028		18,720
2029		3,120
2030		
Total payments	<u>40,650</u>	<u>59,280</u>
Less, imputed interest	<u>(2,502)</u>	<u>(7,855)</u>
<u>Total lease obligations</u>	<u>\$ 38,148</u>	<u>\$ 51,425</u>

The Organization also leased storage space 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 the 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:

<u>Years Ended June 30</u>	<u>2025</u>	<u>2024</u>
Short-term operating leases included in rent	\$ 2,440	\$ 29,364
Short-term rental units used for client assistance		<u>3,600</u>
Total short-term operating leases	<u>2,440</u>	<u>32,964</u>
Operating lease costs:		
Operating lease costs included in rent	27,000	15,750
Variable lease costs included in rent	<u>1,408</u>	<u>2,830</u>
Total operating lease costs	<u>28,408</u>	<u>18,580</u>
Finance lease costs:		
Amortization of lease asset included in depreciation and amortization expense	14,973	12,478
Interest on lease liability included in interest expense	5,431	5,447
Variable lease costs included in rent	<u>3,341</u>	<u>6,490</u>
Total finance lease costs	<u>23,745</u>	<u>24,415</u>
<u>Total lease costs</u>	<u>\$ 54,593</u>	<u>\$ 75,959</u>

Note 11 - Leases (continued)

The following summarizes cash flow information related to leases:

<u>Years Ended June 30</u>	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating lease	\$ 27,408	\$ 17,180
Operating cash flow from finance lease	\$ 3,341	\$ 6,490
Finance cash flow from finance lease	18,720	15,600
Total cash paid for finance lease	\$ 22,061	\$ 22,090
Assets obtained in exchange for lease obligations:		
Operating lease	\$	\$ 70,400
Finance lease	\$	\$ 74,867

Note 12 - Long-term Debt

Long-term debt consists of the following:

<u>At June 30</u>	<u>2025</u>	<u>2024</u>
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 \$1,094,086 at June 30, 2025	\$ 172,700	\$ 184,700
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 \$1,047,468 at June 30, 2025	171,840	193,810
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 \$1,047,468 at June 30, 2025	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 \$1,047,468 at June 30, 2025. Can be forgiven in full if certain guidelines are met in accordance with HOME program	330,000	330,000

Note 12 - Long-term Debt (continued)

At June 30	2025	2024
Noninterest bearing note payable due in variable semi-annual payments based on collections of capital campaign collections beginning December 2025 and a balloon payment due November 2027, implied interest rate of 2.50%, secured by property with a carrying value of \$14,578,093 at June 30, 2025, 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	1,133,254	1,133,254
Noninterest bearing note payable due in 10 quarterly installments of \$10,562 beginning November 2025 through February 2028, implied interest rate of 8.5%, to a national finance company for software subscription services with a carrying value of \$152,905 at June 30, 2025	105,618	
Total long-term debt	5,543,412	5,471,764
Less, unearned discount on long-term debt	(619,026)	(519,204)
Total long-term debt, net of unearned discount	4,924,386	4,952,560
Less, current maturities	(1,597,392)	(742,989)
<u>Long-term debt, net of current maturities</u>	<u>\$ 3,326,994</u>	<u>\$ 4,209,571</u>

Amortization of the discount on long-term debt is reported in the consolidated statements of functional expenses as interest expense.

Scheduled principal payments on long-term debt for the next five years are as follows:

Years Ending June 30	Principal Payments
2026	\$ 1,675,129
2027	111,227
2028	2,787,746
2029	20,280
2030	89,030
Thereafter	860,000
Less, unearned discount on long-term debt	(619,026)
<u>Principal payments on long-term debt</u>	<u>\$ 4,924,386</u>

Note 13 - 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, 2025</u>			
	<u>Fair Value</u>	<u>Usage in Program</u>	<u>Donor Restriction</u>
Furniture & household goods	\$ 124,306	Program services	None
Software subscription	74,513	Allocated to program and supporting services	None
Food	<u>12,578</u>	Fundraising	None
Total contributions of nonfinancial assets	<u>\$ 211,397</u>		

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

Fair valuation techniques – Donated furniture & 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 14 - 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 \$1,208,185 and \$774,645 for the years ended June 30, 2025 and 2024, respectively. The future minimum rental income under all operating leases is \$57,552 for the year ending June 30, 2026, and \$2,992 for the year ending June 30, 2027.

Note 14 - 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>2025</u>	<u>2024</u>
Cost	\$ 16,335,931	\$ 16,421,852
Less, accumulated depreciation	<u>(710,370)</u>	<u>(377,214)</u>
<u>Leased property, net</u>	<u>\$ 15,625,561</u>	<u>\$ 16,044,638</u>

Note 15 - 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 and foundation grants from three grantors for the year ended June 30, 2025, totaled \$6,064,202. Government grants from two grantors for the year ended June 30, 2024, totaled \$3,766,002. Grants receivable from these grantors at June 30, 2025 and 2024, were \$1,144,703 and \$997,116, respectively.

Note 16 - 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.

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 17 - 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 \$26,412 and \$25,042, to the Plan during the years ended June 30, 2025 and 2024, respectively.

Note 18 - Related Party Transactions

Contributions from board members totaled \$11,215 and \$74,755 during the years ended June 30, 2025 and 2024, respectively. Promises to give outstanding from board members totaled \$375 June 30, 2024.

Note 19 - 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, 2024, 2023, and 2022, are subject to examination by the IRS, generally for three years after they were filed.

Note 20 - Subsequent Events

Management has evaluated subsequent events through December 22, 2025, which is the date the consolidated financial statements were available to be issued.

In December 2025, the Organization entered into a construction contract for approximately \$86,000 to repair plumbing at one of the facilities.

SUPPLEMENTARY INFORMATION

HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC. AND SUBSIDIARIES

Consolidating Statement of Financial Position June 30, 2025

	Homeward Bound	Compass Point Village	Short Michigan	Eliminations	Total
Assets					
Current assets:					
Cash and equivalents	\$ 4,040,706	\$ 110,781	\$ 203,095	\$	\$ 4,354,582
Restricted cash and equivalents		16,400	27,593		43,993
Grants receivable, current portion	1,242,639			(28,602)	1,214,037
Other receivables	29,328	22,098		(13,138)	38,288
Promises to give, current portion	407,710				407,710
Prepaid expenses, current portion	89,965		(174)		89,791
Total current assets	5,810,348	149,279	230,514	(41,740)	6,148,401
Grants receivable, net of current portion	388,875				388,875
Promises to give, net of current portion	258,834				258,834
Prepaid expenses, net of current portion	156,744				156,744
Operating lease right-of-use asset	35,748				35,748
Finance lease right-of-use asset	47,416				47,416
Beneficial interest in endowment fund	33,529				33,529
Property and equipment, net	2,006,822	14,578,093	1,047,764		17,632,679
Investment in subsidiaries	15,370,892			(15,370,892)	
Total assets	\$ 24,109,208	\$ 14,727,372	\$ 1,278,278	\$ (15,412,632)	\$ 24,702,226
Liabilities, net assets, and member's interest					
Current liabilities:					
Current portion of operating lease liability	\$ 26,089	\$	\$	\$	\$ 26,089
Current portion of finance lease liability	14,608				14,608
Current maturities of long-term debt	1,581,387		16,005		1,597,392
Accounts payable	118,941		43,447	(41,740)	120,648
Accrued expenses	348,933				348,933
Deferred revenue	57,745	19,000	27,593		104,338
Total current liabilities	2,147,703	19,000	87,045	(41,740)	2,212,008

HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC. AND SUBSIDIARIES

Consolidating Statement of Financial Position (continued)
June 30, 2025

	Homeward Bound	Compass Point Village	Short Michigan	Eliminations	Total
Liabilities, net assets, and member's interest (continued)					
Operating lease liability, net of current portion	\$ 12,059	\$	\$	\$	\$ 12,059
Finance lease liability, net of current portion	36,817				36,817
Long-term debt, net of current maturities	2,798,281		528,713		3,326,994
Total liabilities	4,994,860	19,000	615,758	(41,740)	5,587,878
Net assets and member's interest:					
Without donor restrictions	5,416,515				5,416,515
With donor restrictions	13,697,833				13,697,833
Member's interest		14,708,372	662,520	(15,370,892)	
Total net assets and member's interest	19,114,348	14,708,372	662,520	(15,370,892)	19,114,348
Total liabilities, net assets, and member's interest	\$ 24,109,208	\$ 14,727,372	\$ 1,278,278	\$ (15,412,632)	\$ 24,702,226

HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC. AND SUBSIDIARIES

Consolidating Statement of Activities Year Ended June 30, 2025

	Homeward Bound	Compass Point Village	Short Michigan	Eliminations	Total
Public support and other revenues					
Grants	\$ 8,165,376	\$ 228,521	\$	\$	\$ 8,393,897
Contributions	2,419,719	2,500			2,422,219
In-kind contributions	211,397				211,397
Rental income	22,775	1,387,498	163,936	(366,024)	1,208,185
Healthy Opportunities Pilot program	190,035				190,035
Investment income, net	51,833		27		51,860
Other	50,511	4,800	11,282	(49,481)	17,112
Total public support and other revenues	<u>11,111,646</u>	<u>1,623,319</u>	<u>175,245</u>	<u>(415,505)</u>	<u>12,494,705</u>
Expenses					
Program services	7,276,406	2,269,984	216,863	(415,505)	9,347,748
Supporting services	1,129,043				1,129,043
Total expenses	<u>8,405,449</u>	<u>2,269,984</u>	<u>216,863</u>	<u>(415,505)</u>	<u>10,476,791</u>
Increase (decrease) in net assets and member's interest before other gains (losses)	<u>2,706,197</u>	<u>(646,665)</u>	<u>(41,618)</u>	<u></u>	<u>2,017,914</u>
Other gains (losses)					
Gain on disposal of property and equipment			48		48
Net gains on beneficial interest in endowment fund	1,221				1,221
Losses on investment in subsidiaries	(688,235)			688,235	
Total other gains (losses)	<u>(687,014)</u>	<u></u>	<u>48</u>	<u>688,235</u>	<u>1,269</u>
Increase (decrease) in net assets and member's interest	2,019,183	(646,665)	(41,570)	688,235	2,019,183
Net assets and member's interest at beginning of year	17,095,165	14,932,452	704,090	(15,636,542)	17,095,165
Member contributions	<u></u>	<u>422,585</u>	<u></u>	<u>(422,585)</u>	<u></u>
Net assets and member's interest at end of year	<u>\$ 19,114,348</u>	<u>\$ 14,708,372</u>	<u>\$ 662,520</u>	<u>\$ (15,370,892)</u>	<u>\$ 19,114,348</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, 2025, 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 December 22, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified. 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 December 22, 2025.

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

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*.

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.

CARTER, P.C.

Asheville, North Carolina
December 22, 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, 2025. 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, 2025.

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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Homeward Bound of Western North Carolina, Inc. and Subsidiaries' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Homeward Bound of Western North Carolina, Inc. and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Homeward Bound of Western North Carolina, Inc. and Subsidiaries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Homeward Bound of Western North Carolina, Inc. and Subsidiaries' internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Report on Internal Control Over Compliance

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

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

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

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

CARTER, P.C.

Asheville, North Carolina
December 22, 2025

HOMEWARD BOUND OF WESTERN NORTH CAROLINA, INC. AND SUBSIDIARIES

Schedule of Expenditures of Federal and State Awards Year Ended June 30, 2025

<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 City of Asheville, North Carolina:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218	92500267 & 92600098 92100424, 92200068,	\$ 140,408
Home Investment Partnership Program	14.239	92500102, & 92500103	86.860
Continuum of Care Program	14.267		<u>1,584,829</u>
Total U.S. Department of Housing and Urban Development			1,812,097
 <u>U.S. Department of Veterans Affairs</u>			
VA Health Administration Center:			
VA Supportive Services for Veteran Families Program	64.033		<u>3,266,874</u>
Total expenditures of federal awards			<u>\$ 5,078,971</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>156,982</u>
Total expenditures of state awards			<u>\$ 289,802</u>

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

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2025

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, 2025. 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, 2025

Section I - Summary of Auditors' Results

Consolidated Financial Statements

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

Federal Awards

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

Identification of major federal programs:
AL# 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 not 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, 2025

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

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

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

Reported findings for the year ended June 30, 2024:

Finding 2024-001 - Bank Reconciliations

Status: Corrected.

Finding 2024-002 - Donor Pledges and Grant Receivables Reconciliation

Status: Corrected.

Finding 2024-003 - Program Director's Review

Status: Corrected.

Reported findings for the year ended June 30, 2023:

Finding 2023-001 - Donor Pledge Reconciliation

Status: Corrected.

Finding 2023-002 - Program Director's Review

Status: Corrected.