HOMEWARD BOUND

Financial Statements
Together with Independent Auditor's Report
June 30, 2021

SchmidtWESTERGARD
CERTIFIED PUBLIC ACCOUNTANTS

HOMEWARD BOUND

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Homeward Bound

Report on the Financial Statements

We have audited the accompanying financial statements of Homeward Bound (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Schmidt Westergard & Company, PLLC

Mesa, Arizona
March 29, 2022

HOMEWARD BOUND
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,622,853	$ 3,083,242
Investments	793,284	645,267
Receivables	99,676	115,807
Contributions receivable, net	142,649	39,617
Prepaid expenses	94,012	84,776
Total current assets	3,752,474	3,968,709
CONTRIBUTIONS RECEIVABLE, net, less current and restricted portions	27,510	35,033
PROPERTY AND EQUIPMENT, net	1,396,043	1,322,311
ASSETS RESTRICTED TO INVESTMENT IN LONG-LIVED ASSETS AND IMPROVEMENTS		
Cash and cash equivalents	23,967	403,014
Contributions receivable, net	-	69,851
INVESTMENTS RESTRICTED FOR ENDOWMENT	343,805	289,884
	$ 5,543,799	$ 6,088,802
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of notes payable	$ 260,000	$ 260,000
Accounts payable	30,451	32,786
Accrued liabilities	134,559	183,460
Deferred revenue	-	119,073
Note payable - Paycheck Protection Program	1,022,428	500,200
Total current liabilities	1,447,438	1,095,519
NOTES PAYABLE, less current maturities	800,000	1,060,000
Total liabilities	2,247,438	2,155,519
NET ASSETS		
Without donor restrictions		
Undesignated	1,999,879	2,383,910
Board-designated	500,000	500,000
Total net assets without donor restrictions	2,499,879	2,883,910
With donor restrictions	796,482	1,049,373
Total net assets	3,296,361	3,933,283
	$ 5,543,799	$ 6,088,802

The accompanying notes are an integral part of this financial statement.

HOMEWARD BOUND
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT, REVENUE AND OTHER INCOME, AND SPECIAL EVENTS			
Public support			
Contributions	$ 561,780	$ 368,552	$ 930,332
Donated materials and services	141,380	-	141,380
Grants from governmental agencies	923,962	-	923,962
Total public support	1,627,122	368,552	1,995,674
Revenue and other income			
Program service fees	551,131	-	551,131
Net investment return	124,078	53,921	177,999
Total revenue and other income	675,209	53,921	729,130
Total public support and revenue and other income before special events	2,302,331	422,473	2,724,804
Special events			
Revenue from special events	151,719	-	151,719
Less costs of direct donor benefits	(6,799)	-	(6,799)
Gross profit on special events	144,920	-	144,920
Total public support, revenue and other income, and special events	2,447,251	422,473	2,869,724
NET ASSETS RELEASED FROM RESTRICTIONS	675,364	(675,364)	-
EXPENSES			
Program services-Transitional housing	2,727,141	-	2,727,141
Supporting services			
Management and general	467,557	-	467,557
Fundraising	313,948	-	313,948
Total supporting services	781,505	-	781,505
Total expenses	3,508,646	-	3,508,646
GAINS AND (LOSSES)			
Gain on sale of property and equipment	2,000	-	2,000
CHANGE IN NET ASSETS	(384,031)	(252,891)	(636,922)
NET ASSETS – Beginning of year	2,883,910	1,049,373	3,933,283
NET ASSETS – End of year	$ 2,499,879	$ 796,482	$ 3,296,361

HOMEWARD BOUND
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT, REVENUE AND OTHER INCOME, AND SPECIAL EVENTS			
Public support			
Contributions	$ 890,315	$ 604,004	$ 1,494,319
Donated materials and services	228,931	-	228,931
Grants from governmental agencies	861,995	-	861,995
Total public support	1,981,241	604,004	2,585,245
Revenue and other income			
Program service fees	538,282	-	538,282
Net investment return	126,103	18,440	144,543
Total revenue and other income	664,385	18,440	682,825
Total public support and revenue and other income before special events	2,645,626	622,444	3,268,070
Special events			
Revenue from special events	264,504	-	264,504
Less costs of direct donor benefits	(33,989)	-	(33,989)
Gross profit on special events	230,515	-	230,515
Total public support, revenue and other income, and special events	2,876,141	622,444	3,498,585
NET ASSETS RELEASED FROM RESTRICTIONS	316,040	(316,040)	-
EXPENSES			
Program services-Transitional housing	3,254,402	-	3,254,402
Supporting services			
Management and general	495,342	-	495,342
Fundraising	534,195	-	534,195
Total supporting services	1,029,537	-	1,029,537
Total expenses	4,283,939	-	4,283,939
CHANGE IN NET ASSETS	(1,091,758)	306,404	(785,354)
NET ASSETS – Beginning of year	3,975,668	742,969	4,718,637
NET ASSETS – End of year	$ 2,883,910	$ 1,049,373	$ 3,933,283

HOMEWARD BOUND
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2021

	Program Services - Transitional Housing	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Personnel expenses				
Salaries and wages	$ 1,413,348	$ 303,098	$ 219,055	$ 1,935,501
Employee benefits and payroll taxes	235,105	38,163	32,867	306,135
Staff mileage, development, and other associated costs	17,729	3,284	2,519	23,532
Total personnel expenses	1,666,182	344,545	254,441	2,265,168
Depreciation	366,612	8,699	7,475	382,786
Direct client costs	263,279	-	-	263,279
Marketing and donor development costs	-	530	33,881	34,411
Utilities	134,036	10,183	6,927	151,146
Repairs and maintenance	192,984	11,187	4,521	208,692
Professional fees	-	57,653	-	57,653
Contracted services	38,722	3,007	1,419	43,148
Insurance	38,020	5,066	2,363	45,449
IT management and maintenance	7,366	6,810	1,438	15,614
Printing and postage	3,164	321	2,282	5,767
Taxes, licenses and dues	15,247	9,665	2,122	27,034
Merchant fees and bank charges	744	8,398	3,801	12,943
Supplies	785	1,493	77	2,355
Total expenses	2,727,141	467,557	320,747	3,515,445
Less - Special event expense netted against special event revenue in the statement of activities				
Marketing and donor development costs	-	-	(6,799)	(6,799)
Functional expense totals in the expense section of the statement of activities	$ 2,727,141	$ 467,557	$ 313,948	$ 3,508,646

The accompanying notes are an integral part of this financial statement.

HOMEWARD BOUND
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020

	Program Services - Transitional Housing	Supporting Services - Management and General	Supporting Services - Fundraising	Total
Personnel expenses				
Salaries and wages	$ 1,674,900	$ 322,707	$ 322,929	$ 2,320,536
Employee benefits and payroll taxes	290,969	46,705	49,189	386,863
Staff mileage, development, and other associated costs	23,976	5,344	5,142	34,462
Total personnel expenses	1,989,845	374,756	377,260	2,741,861
Depreciation	518,163	13,799	14,033	545,995
Direct client costs	336,619	-	-	336,619
Marketing and donor development costs	-	1,781	138,689	140,470
Utilities	145,835	11,114	6,966	163,915
Repairs and maintenance	160,354	11,886	6,090	178,330
Professional fees	-	54,823	-	54,823
Contracted services	34,589	2,429	2,618	39,636
Insurance	38,795	3,850	2,354	44,999
IT management and maintenance	5,526	10,042	3,374	18,942
Printing and postage	3,741	823	6,393	10,957
Taxes, licenses and dues	16,200	4,201	7,411	27,812
Merchant fees and bank charges	621	4,267	2,734	7,622
Supplies	4,114	1,571	262	5,947
Total expenses	3,254,402	495,342	568,184	4,317,928
Less - Special event expense netted against special event revenue in the statement of activities				
Marketing and donor development costs	-	-	(33,989)	(33,989)
Functional expense totals in the expense section of the statement of activities	$ 3,254,402	$ 495,342	$ 534,195	$ 4,283,939

HOMEWARD BOUND
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (636,922)	$ (785,354)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized and unrealized gain on investments, net	(162,801)	(82,723)
Gain on sale of property and equipment	(2,000)	-
Depreciation	382,786	545,995
Contributions restricted for investment in long-lived assets and improvements	88,000	55,000
Decrease in discount on long-term contributions receivable	-	(11,487)
Increase in valuation allowance for long-term contributions receivable	7,225	15,000
Non-cash contribution of property and equipment	-	(19,673)
Non-cash contributions - Forgiveness of notes payable	(260,000)	(260,000)
Changes in operating assets and liabilities		
(Increase) decrease in		
Receivables	16,131	10,324
Contributions receivable	(120,883)	23,838
Prepaid expenses	(9,236)	(10,009)
Increase (decrease) in		
Accounts payable	(2,335)	(40,731)
Accrued liabilities	(48,901)	48,743
Deferred revenue	(119,073)	119,073
Net cash used in operating activities	(868,009)	(392,004)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	1,496,776
Purchases of investments	(39,137)	(1,041,297)
Proceeds from sale of property and equipment	2,000	-
Purchases of property and equipment	(456,518)	(504,901)
Net cash used in investing activities	(493,655)	(49,422)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable - Paycheck Protection Program	522,228	500,200
Net increase (decrease) in cash, cash equivalents and restricted cash	(839,436)	58,774
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of year	3,486,256	3,427,482
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of year	$ 2,646,820	$ 3,486,256
SUPPLEMENTAL DISCLOSURES:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

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

1. Operations and Summary of Significant Accounting Policies

Nature of Operations

Founded in 1990, Homeward Bound (the "Organization") is recognized as Arizona's premier provider of transitional housing for families who are homeless, working poor and/or have experienced domestic violence. The Organization's mission is to assist families to achieve economic independence; secure long-term, safe, decent, and affordable housing; and break multi-generational cycles of homelessness and domestic violence. The Organization assists families with a "hand up, not a handout."

Each family participating in the program must contribute thirty percent of their adjusted gross income for housing and support services. As part of the support services, the participants engage in case management, committing and being held accountable to a program that helps them obtain and/or improve employment and life skills that will give them the needed "hand up." Their progress is continuously monitored and assessed as they make their successful transition from homelessness to self-sufficiency.

In 2000, the Organization opened the Thunderbirds Family Village ("TFV"), a five-acre campus that contains 68 apartments comprised of 60 two-bedroom housing units and 8 four-bedroom units, an early childhood learning center, an education and employment center, a teen center, library, laundry facilities, administrative offices, a fitness trail, 3 playgrounds, and a basketball court.

At the TFV campus, Strong Foundations Center for Early Learning and Resiliency, a nationally accredited and state licensed child care center, provides care services for children of program participants, staff and families in the surrounding community who are ages six weeks to five years old. The Youth Services Department, also operating out of the TFV campus, serves the Organization's children ages birth to 17. This department assists program participants in identifying and addressing any needs of their children that may create barriers to the participants' employment or successful transition.

During the year ended June 30, 2021, the Organization provided housing and assistance to 362 total participants of whom 249 were children. During the year ended June 30, 2020, the Organization provided housing and assistance to 551 total participants of whom 366 were children. Working poor families are the majority of the population. When entering the program many of the families have few skills, limited education, large debt, and lack the basic life skills to achieve self-sufficiency without the Organization's assistance.

Basis of Presentation

The Organization prepares its financial statements on the accrual basis of accounting. As required by accounting principles generally accepted in the United States of America ("U.S. GAAP"), the Organization reports net assets and revenues, gains and losses based upon the existence of or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

> Net assets without donor restrictions – Net assets available for general use and not subject to donor restrictions. As reflected in the accompanying financial statements, the Organization's Board of Directors has designated a portion of these net assets for purposes identified and approved by the Board of Directors including fluctuations in contributions and capital improvements.
>
> Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature and will be met either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature because the donor has stipulated that resources be maintained in perpetuity.

Management's Use of Estimates

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

Cash and Cash Equivalents

Cash consists of cash deposits in banks. The Organization considers all highly liquid financial instruments purchased with original maturities of three months or less to be cash equivalents. Cash received with donor-imposed restrictions limiting its use to long-term purposes is not considered cash and cash equivalents for purposes of the statement of cash flows.

Receivables

Receivables consist primarily of grants and contracts receivable and monthly rent payments due from residents of the Organization's transitional housing. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Management considers all receivables to be fully collectible at June 30, 2021, and, accordingly, an allowance for doubtful accounts has not been provided. The Organization generally does not charge interest on past due amounts and does not require collateral on outstanding balances. There were no accounts receivable balances that were 90 days or more past due at June 30, 2021.

Promises to Give

Unconditional promises to give (contributions receivable) are recognized as revenue in the period the promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates, adjusted for market risk as determined by management, applicable to the years in which the promises are received. Amortization of the discounts is included in contributions.

Fair Value Measurements

Certain assets and liabilities of the Organization are required to be measured at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an "exit price") on the measurement date in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants (with no compulsion to buy or sell).

The levels of the fair value hierarchy are:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets and 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 (i.e., interest rates, yield curves, etc.):
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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.

For assets and liabilities measured at fair value on a recurring basis, the fair value hierarchy requires the use of observable market data when available. In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Investments and Investment Income

The Organization reports its investments in securities at fair value as described in Note 4. Net investment return consists of interest, dividends, and realized and unrealized gains and losses, and is presented net of external direct investment expenses. Gains and losses, both realized and unrealized, are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law. The Organization's investments are in professionally managed portfolios. Management reviews and evaluates fair value provided by the external managers, as well as the valuation methods and assumptions used in determining the fair value of such investments.

Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in risks in the near term would materially affect account balances and the amounts reported in the accompanying financial statements.

Property and Equipment

Purchased property and equipment is stated at cost. Property and equipment acquired by gift is stated at estimated fair value at the date of contribution. Depreciation is provided using the straight-line method over the following estimated useful lives:

Transitional housing	20 years
Furniture and equipment	5 to 7 years
Vehicles	5 years

All acquisitions of property and equipment and all costs for repairs and maintenance that materially prolong the useful life of assets in excess of $1,000 are capitalized. In the absence of donor restrictions on how gifts of long-lived assets must be used, the Organization does not imply time restrictions on such contributions.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Notes Payable – Paycheck Protection Program

As described in more detail in Note 6, the Organization has entered into note payable agreements with a bank under the provisions of the Paycheck Protection Program ("PPP"). The Organization accounts for the agreements in accordance with the provisions of FASB Accounting Standards Codification ("ASC") 470, *Debt*. Accordingly, amounts outstanding under the note payable agreements will be reflected as a liability in the statement of financial position until such time as the Organization is legally released from the obligations through repayment or through forgiveness, wholly or in part, by the bank.

Contributions

Contributions are recognized as revenue in the period received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are overcome.

Unconditional contributions with no purpose or time restrictions are reported as revenue without donor restrictions. Unconditional contributions, bequests, strategic partnerships, and grants with donor-imposed restrictions that limit the use of the asset are reported as revenue with donor restrictions on the statement of activities and are reclassified to net assets without donor restrictions when an expense is incurred that satisfies the donor-imposed restriction. However, for unconditional donor-restricted contributions there were initially conditional, if donor-imposed restrictions are met in the same year that they become unconditional, the revenues are reported as revenue without donor restrictions.

Donated Materials and Services

The Organization recognizes donations of services received if such services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would otherwise need to be purchased if not donated. Donated materials and professional services are recognized as contributions in the accompanying financial statements at their estimated fair value at the date of receipt.

Volunteers donate a significant amount of time to the Organization's program services and its fundraising activities. No amounts have been reflected in the financial statements for these services since they did not meet the requirements for recognition.

Grants from Governmental Agencies

The Organization receives annual grants from various state and federal agencies. The Organization recognizes revenue for these grants as services are provided. Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the grant or contract.

Program Service Fees

The Organization accounts for revenue and support by first analyzing each arrangement to determine whether the arrangement is an exchange transaction or a contribution. If the transaction is one in which each party to the transaction directly receives commensurate value, then the transaction is considered an exchange transaction and the Organization applies the revenue recognition guidance in ASC 606.

Substantially all of the Organization's exchange transaction revenues are derived from contracts with customers. The nature, timing and any uncertainty in the recognition of revenues are not significantly affected by the type of good, customer or geographical region to which the performance obligations relate. The Organization satisfies its performance obligations by providing various services for their customers.

Revenue streams associated with program service fees consist primarily of amounts charged to program participants for housing and support services. Program service fee revenue is billed and recognized as revenue in the month in which the services are provided.

Special Events

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of the meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recognized as costs of direct donor benefits in the accompanying statement of activities.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Allocated expenses primarily consist of the following:

- Salaries and wages, benefits and other employee-related costs – allocated on the basis of estimates of time and effort
- Utilities, depreciation, repairs and maintenance – allocated on the basis of estimated square footage utilized and asset usage
- Insurance – allocated on the basis of headcount and estimated square footage utilized

Fundraising Costs

All fundraising costs are expensed in the period incurred.

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore, there is no provision for income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income ("UBTI") would be taxable.
The Organization follows the guidance issued by the Financial Accounting Standards Board ("FASB") related to accounting for income tax uncertainties. Under this guidance, the Organization accounts for the effect of any uncertain tax positions based on whether it is "more-likely-than-not" that the position will be sustained by the taxing authority upon examination. The Organization routinely evaluates potential uncertain tax positions. The Organization has identified its status as an exempt organization as a tax position; however, the Organization has determined that such tax position does not result in an uncertainty that requires recognition.

The Organization files informational and income tax returns in the U.S. federal jurisdiction and in certain state and local jurisdictions. As of June 30, 2021, U.S. federal informational tax returns for years ended prior to June 30, 2018 and state returns for years ended prior to June 30, 2017 are closed to assessment. Interest and penalties, if any, are accrued as a component of management and general expenses when assessed.

Newly Adopted Accounting Pronouncement

FASB Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes existing revenue recognition guidance in ASC 605, *Revenue Recognition*, including industry-specific guidance. The core principle of the new revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

The Organization adopted the guidance of ASC 606 as of July 1, 2020, using the modified retrospective method, and has applied the standard to only those contracts which were not completed as of the transition date. Accordingly, the amounts reflected in the accompanying financial statements as of and for the year ended June 30, 2020 have not been adjusted and continue to be reported in accordance with historic accounting under ASC 605. The adoption of this standard did not have a material impact on revenues for the year ended June 30, 2021, and there was no material adjustment required to the opening net asset balance.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASU 2016-02 will require lessees to recognize most leases in their statement of financial position as liabilities, with corresponding "right of use" assets. As amended by ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates,* and ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities,* the new standard is effective for annual reporting periods of nonpublic companies beginning after December 15, 2021. The Organization is currently evaluating the magnitude and other potential impacts on its financial statements.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase transparency for contributed nonfinancial assets through enhancements to presentation and disclosure. ASU 2020-07 will require contributed nonfinancial assets to be presented in a separate line item in the statement of activities (apart from contributions of cash and other financial assets) and will required expanded disclosures regarding the nature and utilization of contributed nonfinancial assets as well as descriptions of any donor restrictions and the valuation methodology and inputs used to determine fair value. ASU 2020-07 is effective for annual reporting periods beginning after June 15, 2021. The Organization is currently evaluating the magnitude and other potential impacts on its financial statements.

2. Liquidity

As of June 30, 2021, financial assets which could readily be made available to meet general expenditures within one year of the date of the statement of financial position were as follows:

Financial assets at year end:	
Cash and cash equivalents	$ 2,646,820
Receivables	99,676
Contributions receivable, net	170,159
Investments	1,137,089
Total financial assets	4,053,744
Less amounts not available for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Amounts subject to donor purpose or time restrictions	(452,677)
Amounts subject to appropriation	(343,805)
Accounts payable	(30,451)
Accrued liabilities	(134,559)
Board designations	(500,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,592,252

The Organization is supported, in part, by restricted contributions. Since a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. As a result, certain financial assets may not be available for general expenditure within one year. As part of liquidity management, The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments.

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, contributions receivable and investments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures relating to ongoing activities of the various programs offered, as well as the conduct of services undertaken to support those activities, to be general expenditures. In addition to the financial assets available to meet general expenditures over the next twelve months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

3. Contributions receivable

Contributions receivable consisted of the following at June 30:

	2021	2020
Promises to give - Without donor restrictions	$ 84,500	$ 91,617
Promises to give - With donor restrictions:		
Building maintenance and remodel	28,000	88,000
Homeward Bound University	100,000	-
Total contributions receivable	212,500	179,617
Less: Unamortized discount	(10,116)	(10,116)
Less: Valuation allowance	(32,225)	(25,000)
Contributions receivable, net	$ 170,159	$ 144,501

The estimated cash flows for contributions receivable were discounted over the collection period using management determined, risk-adjusted discount rates ranging from 2.5% to 4.5%. Contributions receivable (before the unamortized discount and any valuation allowance are due as follows at June 30:

	2021	2020
Contributions receivable due in less than one year	$ 167,500	$ 94,617
Contributions receivable due in one to five years	45,000	85,000
Total contributions receivable	$ 212,500	$ 179,617

Contributions receivable from employees and members of the Board of Directors (before the unamortized discount) were as follows at June 30:

	2021	2020
Contributions receivable due in less than one year	$ 2,000	$ 6,617
Contributions receivable due in one to five years	-	1,000
Total contributions receivable	$ 2,000	$ 7,617

4. Investments

Investments consisted of the following and the table sets forth, by level within the fair value hierarchy, the Organization's assets that are measured at fair value as of June 30:

	2021			
	Level 1	Level 2	Level 3	Total
Fixed income	$ 517,430	$ -	$ -	$ 517,430
Equity funds	604,659	-	-	604,659
Private company stocks	-	15,000	-	15,000
Total investments	1,122,089	15,000	-	1,137,089
Less: Investments restricted for endowments	(343,805)	-	-	(343,805)
Total investments	$ 778,284	$ 15,000	$ -	$ 793,284

	2020			
	Level 1	Level 2	Level 3	Total
Equity funds	$ 451,882	$ -	$ -	$ 451,882
Bond funds	467,269	-	-	467,269
Private company stocks	-	16,000	-	16,000
Total investments	919,151	16,000	-	935,151
Less: Investments restricted for endowments	(289,884)	-	-	(289,884)
Total investments	$ 629,267	$ 16,000	$ -	$ 645,267

Net investment return consisted of the following for the years ended June 30:

	2021	2020
Interest and dividends	$ 22,336	$ 70,488
Net realized and unrealized gains	162,801	82,723
Direct external investment expenses	(7,138)	(8,668)
Total net investment return	$ 177,999	$ 144,543

5. Property and equipment

Property and equipment consisted of the following at June 30:

	2021	2020
Cost or donated value:		
Transitional housing	$ 9,361,389	$ 8,558,806
Furniture and equipment	1,357,268	1,698,692
Land	295,629	295,629
Vehicles	39,078	63,270
Construction in progress	-	4,638
Total cost or donated value	11,053,364	10,621,035
Less - Accumulated depreciation	(9,657,321)	(9,298,724)
Property and equipment, net	$ 1,396,043	$ 1,322,311

6. Notes Payable – Payroll Protection Program

In April 2020, The Organization received loan proceeds totaling $500,200 through a PPP note payable agreement with a bank administered by the Small Business Administration ("SBA"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for forgiveness of the principal and accrued interest as long as the borrower uses the loan procedures for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The note payable bears interest at 1.0%. The amount of loan forgiveness is reduced if the borrower terminates employees or reduces salaries. This loan was forgiven on July 9, 2021.

In February 2021, the Organization received a second draw PPP loan totaling approximately $522,000 with the same terms and conditions as the first draw. While the Organization intends to utilize the proceeds in a manner that will meet the conditions for forgiveness of the loan, it is not possible to determine the ultimate amount of the loan that may be forgiven. Principal and interest payments are not due until the amount of forgiveness is remitted by the SBA.

7. Notes Payable

Notes payable consisted of the following at June 30:

	2021	2020
Two interest free notes payable to the City of Phoenix for the acquisition and construction of the TFV property; collateralized by the TFV property; principal of the notes to be forgiven at 10% per year beginning in December 2012, provided the property is used exclusively for transitional supportive housing for low-income families with children; maturing in December 2021.	$ 260,000	$ 520,000

	2021	2020
Interest free note payable to the Arizona Department of Commerce. The funds received are required to be repaid only if the Organization sells the TFV property within the period of affordability remaining on the TFV property or fails to comply with the covenants, conditions, and restrictions defined in the agreement. The period of affordability is satisfied in June 2029.	800,000	800,000
Total notes payable	1,060,000	1,320,000
Less current maturities	(260,000)	(260,000)
Total notes payable, less current maturities	$ 800,000	$ 1,060,000

Annual maturities of notes payable are scheduled as follows:

Year Ending June 30	Future Forgiveness
2022	$ 260,000
2023	-
2024	-
2025	-
2026	-
Thereafter	800,000
Total notes payable	$ 1,060,000

The Organization recognized revenue from government grants totaling approximately $260,000 for both the years ended June 30, 2021 and 2020, related to forgiveness of notes payable according to the agreements described above.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	2021	2020
Subject to expenditure for specified purposes:		
Building maintenance and remodel	$ 23,967	$ 472,864
Client services	232,854	150,000
Destination diploma	-	31,510
COVID relief	16,000	25,465
HB University	109,697	
Healthy meals	-	5,000
Subject to the passage of time:	70,159	74,650
Subject to Organization spending policy and appropriation:		
Endowment - Original gift amount	250,000	250,000
Endowment - Accumulated net investment return	93,805	39,884
Total net assets with donor restrictions	$ 796,482	$ 1,049,373

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by the occurrence of the passage of time or other events specified by donors, as follows as of June 30:

	2021	2020
Expended for specified purposes:		
Building maintenance and remodel	$ 448,898	$ 274,757
Client services	150,000	11,664
Destination diploma	31,510	-
COVID relief	25,465	-
Healthy meals	5,000	-
Expended due to passage of time:	14,491	29,619
Total restrictions released	$ 675,364	$ 316,040

9. Endowment

The Organization's endowments consist of funds established under donor restriction for certain purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization is subject to the Arizona Management of Charitable Funds Act ("MCFA"), which is the State of Arizona's version of the Uniform Prudent Management of Institutional Funds Act. The Organization has interpreted the MCFA as requiring the preservation of the fair value of the original gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (to be held in perpetuity) the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified as held in perpetuity is classified as part of donor-restricted net assets until those amounts are appropriated for expenditure by the governing board in a manner consistent with the standard of prudence described by the MCFA.

MCFA allows the Organization's governing board to appropriate for expenditure or accumulate so much of an endowment fund as is determined to be prudent, considering the following factors:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Investment Return Objectives, Risk Parameters and Strategies

Endowment funds held in perpetuity are those given to the Organization with a donor-imposed restriction that the funds are not to be expended but are to be invested for the purpose of generating investment income (as defined by each gift instrument) for the support of the Organization. The principal of the funds is to be maintained in perpetuity. The donor may place restrictions on the purpose(s) for which the investment income may be expended. The Organization's governing body has a fiduciary responsibility to comply with the restrictions imposed by the donors on these funds.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation (both realized and unrealized), which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, with a greater emphasis on equity-based investments to achieve its long-term objective within prudent risk constraints. The Organization expects its endowment funds over time to provide an average rate of return of 5.0% annually. Actual returns in any given year may vary from this amount.

Spending Policy

Under the Organization's endowment spending policy, the Board of Directors reviews earnings from the endowment annually, and may approve usage for specific operational purposes or to accumulate towards the endowment's continuing growth.

Composition of Endowment

The endowment consisted of the following at June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amounts and amounts required by donors to be maintained in perpetuity	$ -	$ 250,000	$ 250,000
Accumulated net investment return	-	93,805	93,805
Total endowment net assets	$ -	$ 343,805	$ 343,805

Changes in Endowment

Changes in endowment net assets consisted of the following for the years ended June 30:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2019	$ -	$ 271,444	$ 271,444
Net investment return	-	18,440	18,440
Endowment net assets, June 30, 2020	-	289,884	289,884
Net investment return	-	53,921	53,921
Endowment net assets, June 30, 2021	$ -	$ 343,805	$ 343,805

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MCFA requires the Organization to retain as a fund of perpetual duration. The Organization has interpreted MCFA to permit spending from underwater endowments in accordance with prudent measures required by MCFA. Deficiencies of this nature did not exist as of June 30, 2021.

10. Retirement Plan

The Organization sponsors a 403(b) retirement plan (the “Plan”) covering all full-time employees. Under the terms of the Plan, participating employees may contribute up to 100% of their gross annual income, subject to Internal Revenue Service limitations. The Organization does not make contributions to the Plan.

11. Donated Materials and Services

Donated materials and services consisted of the following for the year ended June 30, 2021:

	Program Services- Transitional Housing	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Direct client costs	$ 83,517	$ -	$ -	$ 83,517
Professional services	41,863	-	16,000	57,863
Total in-kind expense	$ 125,380	$ -	$ 16,000	141,380
Donated property and equipment				-
Total in-kind contributions				$ 141,380

Donated materials and services consisted of the following for the year ended June 30, 2020:

	Program Services- Transitional Housing	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Direct client costs	$ 164,696	$ -	$ -	$ 164,696
Professional services	26,040	18,522	-	44,562
Total in-kind expense	$ 190,736	$ 18,522	$ -	209,258
Donated property and equipment				19,673
Total in-kind contributions				$ 228,931

12. Contingencies

In the normal course of its activities, from time to time the Organization is subject to certain claims and litigation, including unasserted claims. The Organization and its counsel are of the opinion that, based on information presently available, such legal matters will not have a material adverse effect on the financial position of the Organization.

13. Concentrations

Uninsured Cash

The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not expect to experience any such losses. At June 30, 2021, the Organization had an uninsured cash balance of approximately $2,443,000.

Significant Donors

As of June 30, 2021, the Organization had two promises to give which represented approximately 28% and 13% of the contributions receivable in the accompanying statement of financial position. As of June 30, 2020, the Organization had two promises to give which represented approximately 49% and 33% of the contributions receivable in the accompanying statement of financial position.

14. Subsequent Events

The Organization has evaluated subsequent events through March 29, 2022, the date on which the financial statements were available to be issued.