



Financial Statements

June 30, 2018 and 2017



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HOMeward

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
of Homeward
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Homeward, which comprise the balance sheets as of June 30, 2018 and 2017, 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; 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. Those standards require that we plan and perform the audits 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 Homeward as of June 30, 2018 and 2017, 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.

A handwritten signature in black ink, appearing to read "Keita", with a stylized, flowing script.

November 9, 2018
Glen Allen, Virginia

HOMEWARD

Statements of Financial Position June 30, 2018 and 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 207,162	\$ 201,195
Contributions and grants receivable	483,467	526,193
Prepaid expenses	9,985	10,181
Other assets	2,665	925
Property and equipment, net of accumulated depreciation	<u>11,414</u>	<u>7,042</u>
Total assets	<u>\$ 714,693</u>	<u>\$ 745,536</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 23,815	\$ 16,680
Accrued expenses	1,500	1,156
Deferred revenue	<u>289,085</u>	<u>286,158</u>
Total liabilities	<u>314,400</u>	<u>303,994</u>
Net assets:		
Unrestricted net assets	95,860	168,042
Temporarily restricted net assets	<u>304,433</u>	<u>273,500</u>
Total net assets	<u>400,293</u>	<u>441,542</u>
Total liabilities and net assets	<u>\$ 714,693</u>	<u>\$ 745,536</u>

See accompanying notes to financial statements.

HOMEWARD

Statement of Activities Year Ended June 30, 2018 with 2017 Comparative Totals

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
Revenues and other support:				
Contributions	\$ 71,835	\$ 137,882	\$ 209,717	\$ 255,193
Governmental grants	-	365,952	365,952	321,621
Non-governmental grants	6,661	258,925	265,586	325,116
United Way allocation	4,128	33,775	37,903	50,337
Community Information Systems	-	208,963	208,963	128,173
Conferences and training	-	5,584	5,584	7,744
	<u>82,624</u>	<u>1,011,081</u>	<u>1,093,705</u>	<u>1,088,184</u>
Total revenues and other support				
Net assets released from restrictions	<u>980,148</u>	<u>(980,148)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program services	984,215	-	984,215	823,568
Management and general	112,377	-	112,377	123,414
Fundraising	38,362	-	38,362	55,078
	<u>1,134,954</u>	<u>-</u>	<u>1,134,954</u>	<u>1,002,060</u>
Total expenses				
Change in net assets	(72,182)	30,933	(41,249)	86,124
Net assets, beginning of year	<u>168,042</u>	<u>273,500</u>	<u>441,542</u>	<u>355,418</u>
Net assets, end of year	<u>\$ 95,860</u>	<u>\$ 304,433</u>	<u>\$ 400,293</u>	<u>\$ 441,542</u>

See accompanying notes to financial statements.

HOMEWARD

Statement of Activities Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 180,693	\$ 74,500	\$ 255,193
Governmental grants	-	321,621	321,621
Non-governmental grants	172,816	152,300	325,116
United Way allocation	6,587	43,750	50,337
Community Information Systems	-	128,173	128,173
Conferences and training	<u>93</u>	<u>7,651</u>	<u>7,744</u>
Total revenues and other support	<u>360,189</u>	<u>727,995</u>	<u>1,088,184</u>
Net assets released from restrictions	<u>723,111</u>	<u>(723,111)</u>	<u>-</u>
Expenses:			
Program services	823,568	-	823,568
Management and general	123,414	-	123,414
Fundraising	<u>55,078</u>	<u>-</u>	<u>55,078</u>
Total expenses	<u>1,002,060</u>	<u>-</u>	<u>1,002,060</u>
Change in net assets	81,240	4,884	86,124
Net assets, beginning of year	<u>86,802</u>	<u>268,616</u>	<u>355,418</u>
Net assets, end of year	<u>\$ 168,042</u>	<u>\$ 273,500</u>	<u>\$ 441,542</u>

See accompanying notes to financial statements.

HOMEWARD

Statement of Functional Expenses Year Ended June 30, 2018 with 2017 Comparative Totals

	Program Services	Management and General	Fundraising	2018 Total	2017 Total
Salaries	\$ 446,352	\$ 46,459	\$ 10,000	\$ 502,811	\$ 487,779
Benefits	64,691	9,893	1,522	76,106	75,340
Payroll taxes	31,150	4,806	734	36,690	35,575
Professional fees	23,031	20,680	-	43,711	35,292
Supplies and postage	9,603	3,340	-	12,943	9,083
Occupancy	22,343	9,143	-	31,486	24,772
Community outreach	36,783	834	-	37,617	26,367
Travel and training	16,742	2,107	19,596	38,445	24,841
Depreciation	2,418	427	-	2,845	2,141
Sponsored conferences and meetings	72,390	2,582	6,510	81,482	87,588
Utilities	12,031	2,123	-	14,154	14,659
Technology	84,429	789	-	85,218	76,580
Donated services	1,800	6,661	-	8,461	17,216
Program reimbursement	146,100	-	-	146,100	72,933
Miscellaneous	14,352	2,533	-	16,885	11,894
Total expenses	<u>\$ 984,215</u>	<u>\$ 112,377</u>	<u>\$ 38,362</u>	<u>\$ 1,134,954</u>	<u>\$ 1,002,060</u>

See accompanying notes to financial statements.

HOMEWARD

Statement of Functional Expenses Year Ended June 30, 2017

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 394,213	\$ 48,470	\$ 45,096	\$ 487,779
Benefits	61,371	7,188	6,781	75,340
Payroll taxes	28,937	3,437	3,201	35,575
Professional fees	16,272	19,020	-	35,292
Supplies and postage	5,947	3,136	-	9,083
Occupancy	21,022	3,750	-	24,772
Community outreach	25,906	461	-	26,367
Travel and training	22,915	1,926	-	24,841
Depreciation	1,777	364	-	2,141
Sponsored conferences and meetings	79,181	8,407	-	87,588
Utilities	12,494	2,165	-	14,659
Technology	70,931	5,649	-	76,580
Donated services	562	16,654	-	17,216
Program reimbursement	71,833	1,100	-	72,933
Miscellaneous	10,207	1,687	-	11,894
Total expenses	<u>\$ 823,568</u>	<u>\$ 123,414</u>	<u>\$ 55,078</u>	<u>\$ 1,002,060</u>

See accompanying notes to financial statements.

HOMEWARD

Statements of Cash Flows Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (41,249)	\$ 86,124
Depreciation	2,845	2,141
Adjustments to reconcile change in net assets to net cash from operating activities:		
Contributions and grants receivable	42,726	(442,355)
Prepaid expenses	196	256
Other assets	(1,740)	-
Accounts payable	7,135	(295)
Accrued expenses	344	(1,162)
Deferred revenue	<u>2,927</u>	<u>286,158</u>
Net cash provided by (used in) operating activities	13,184	(69,133)
Cash flows from investing activities:		
Purchase of property and equipment	<u>(7,217)</u>	<u>(3,749)</u>
Net cash used in investing activities	<u>(7,217)</u>	<u>(3,749)</u>
Net change in cash and cash equivalents	5,967	(72,882)
Cash and cash equivalents, beginning of year	<u>201,195</u>	<u>274,077</u>
Cash and cash equivalents, end of year	<u>\$ 207,162</u>	<u>\$ 201,195</u>

See accompanying notes to financial statements.

HOMEWARD

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Organization: Homeward (the "Organization") is a Virginia non-stock corporation incorporated on April 1, 2002 to coordinate the homeless services delivery system for the Greater Richmond Virginia Community. Homeward was originally an unincorporated organization created in 1998. Homeward brings together homeless services providers, local governments, the faith, academic, and business communities, homeless and formerly homeless individuals, and concerned citizens, to combine efforts, resources, knowledge and talents in order to create integrated, powerful and effective strategies and solutions to prevent and end homelessness in Richmond, Henrico, Chesterfield, Hanover, and other localities throughout the Commonwealth of Virginia.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the year reported. Actual results could differ from those estimates.

Financial Statement Presentation: The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets include funds that impose no restrictions on the Organization as to their use or purpose. Such net assets are expended for purposes deemed appropriate for operating purposes.

Temporarily restricted net assets include funds that are primarily restricted by the donor for use in a subsequent year or a specified purpose to particular programs.

Permanently restricted net assets include funds that are subject to donor-imposed stipulations that require the principal be invested and the income be used either for a designated purpose or for general operations of the Organization. There are no permanently restricted net assets at June 30, 2018 or 2017.

Cash and Cash Equivalents: The Organization considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

HOMEWARD

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Contributions and Grants Receivable: Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable values. Unconditional promises to give that are expected to be collected in beyond one year are recorded at the present value of estimated future cash flows. Long-term promises to give were \$12,000 as of June 30, 2018 and \$75,000 as of June 30, 2017. Management determined that the amount of discount on the present value of long-term promises to give was immaterial at June 30, 2018 and 2017, and no discount was considered necessary.

Allowance for Doubtful Accounts: The Organization uses the reserve method of accounting for doubtful accounts. Management determined that the amount of doubtful accounts was immaterial at June 30, 2018 and 2017, and no reserve was considered necessary. For recoveries of bad debt, the Organization records revenue for the amount recovered.

Property and Equipment: The Organization's policy is to capitalize property and equipment costing over \$500. Lesser amounts are expensed. Purchased property and equipment is stated at cost. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets, which range from three to five years. Upon retirement or sale of an asset, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Deferred Revenue: Deferred revenue consists of governmental grants accounted for as exchange transactions for which the Organization has not yet satisfied its performance obligation. Grants made during the current fiscal year are recorded as grants receivable and deferred revenue until the Organization's obligation is met.

Support: Contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, or temporarily restricted, depending on the existence and/or nature of any donor restriction. For temporarily donor-imposed restrictions, when the stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If the Board specifies a purpose where none has been stated by the original donor, such assets are classified as Board designated within unrestricted net assets. There were no Board designated net assets at June 30, 2018 or 2017.

Donated Services: During the years ended June 30, 2018 and 2017, the value of donated services was \$6,661 and \$16,666, respectively.

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Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Tax Status: The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined to be a charitable organization, which qualifies contributions, bequests and legacies as deductions by the donor for income, estate and gift tax purposes.

Income Tax Uncertainties: The Organization follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Organization's tax position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Organization is not currently under audit by any tax jurisdiction.

Concentration of Credit Risk: Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and unsecured receivables.

Management maintains the Organization's cash balances with financial institutions. The Federal Deposit Insurance Corporation's insured limits on each account is \$250,000. The ability to collect pledges resulting from fund raising efforts is affected by general economic conditions in the Richmond, Virginia metropolitan area.

As of June 30, 2018 and 2017, three grantors accounted for 84% and 87%, respectively, of total contributions and grants receivable. For 2018, one grantor accounted for 13% of total revenues. For 2017, there were no total revenue concentrations.

Reclassifications: Certain prior year balances have been reclassified to conform with the current year presentation.

Subsequent Events: Management has evaluated subsequent events for potential recognition and/or other disclosure through November 9, 2018, the date the financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying financial statements.

2. Contributions and Grants Receivable:

Contributions receivable include unconditional promises to give of \$105,422 and \$157,007 as of June 30, 2018 and 2017, respectively. Grants receivable amounted to \$378,045 and \$369,186 as of June 30, 2018 and 2017, respectively. Contributions and grants receivable include funds that are restricted for use for a specified purpose to particular programs that include broad community change efforts.

HOMEWARD

Notes to Financial Statements, Continued

2. Contributions and Grants Receivable, Continued:

Anticipated collections of contributions and grants receivable at June 30:

	<u>2018</u>	<u>2017</u>
Contributions and grants to be collected:		
Less than one year	\$ 471,467	\$ 451,193
One to five years	<u>12,000</u>	<u>75,000</u>
	<u>\$ 483,467</u>	<u>\$ 526,193</u>

Contributions and grants receivable are included in temporarily restricted assets and deferred revenue as follows at June 30:

	<u>2018</u>	<u>2017</u>
Deferred revenue - grants	\$ 289,085	\$ 286,158
Temporarily restricted net assets	<u>194,382</u>	<u>240,035</u>
	<u>\$ 483,467</u>	<u>\$ 526,193</u>

3. Property and Equipment:

Property and equipment at June 30, 2018 consisted of furniture, fixtures and equipment in the amount of \$42,950 with accumulated depreciation of \$31,536 for a net book value of \$11,414. Property and equipment at June 30, 2017 consisted of furniture, fixtures and equipment in the amount of \$35,733 with accumulated depreciation of \$28,691 for a net book value of \$7,042. Depreciation expense was \$2,845 and \$2,141 for the years ended June 30, 2018 and 2017, respectively.

4. Temporarily Restricted Net Assets:

At June 30, 2018, temporarily restricted net assets are comprised of \$194,382 in time restricted contributions and \$110,051 in purpose restricted contributions. At June 30, 2017, temporarily restricted net assets are comprised of \$240,035 in time restricted contributions and \$33,465 in purpose restricted contributions.

5. Indemnification:

The Organization has certain obligations to indemnify the current and former officers and directors for certain events or occurrences while the officer or director is, or was serving, at the Organization's request in such capacities. The maximum liability under these obligations is limited by the Code of Virginia. The Organization's insurance policies serve to further limit its exposure. The Organization believes that the estimated fair value of these indemnification obligations is minimal.

HOMEWARD

Notes to Financial Statements, Continued

6. Description of Programs:

Homeward Community Information System (HCIS): A secure, live database used to track client level and systems level data. Each homeless service provider records client information and services provided to the client. Once this data is entered, clients are relieved of having to repeat the same information to different providers. Each case manager can enter case plans and goals for each client and follow up on actions taken or referrals to other agencies. The information in the database is HIPAA-compliant and can be closed according to the wishes of the client. Data can be aggregated (and disassociated from client particulars) to track use of the homeless services system, gaps in services, and changes in usage patterns. As a system, it can be determined if the existing services are working efficiently and effectively to solve the problem of homelessness. HCIS is the local version of a nationally-mandated Homeless Management Information Systems (HMIS). The Department of Housing and Urban Development requires the use of a HMIS database for providers and communities receiving HUD funds.

Community Programs: As the Richmond area's planning and coordinating agency for homeless services, Homeward works with more than 30 non-profits and 8 local governments as well as state and federal partners to address the needs of regional residents experiencing homelessness. Homeward works to prevent and end homelessness by identifying needs and trends related to homelessness, educating regional stakeholders on the issues, and developing cross-sector strategic partnerships. Homeward supports more than 15 committees and workgroups that facilitate data-driven collaboration for targeted subpopulations or to accomplish regional strategies. Homeward impacts the community by increasing regional capacity through capacity-building and emphasis on best practices, by convening public and private sector partners to align funding and resources to the needs identified in the community, and by hosting community events to raise awareness of the causes of and solutions to homelessness.

Research and Evaluation: Homeward conducts market research on the housing needs of very low income people in our community. Homeward works with regional public and non-profit service providers to collect and analyze regional data and trends on homelessness through bi-annual surveys of persons experiencing and at risk of homelessness and through a web-based database which collects longitudinal data on persons in a housing crisis, including their demographics and service needs. Homeward analyzes this data and reports to local governments, housing and homeless service providers, and federal and state officials on trends. Homeward's investment in regional data on homelessness has increased buy-in from a wide range of partners, has helped to change the community's conversation on homelessness, has broadened the discussion of housing advocacy groups to include those with extremely low incomes, has led to increased investment in homeless services from private sources and local, state, and federal government sources, and has focused our regional efforts on solutions to the problem of homelessness.

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Notes to Financial Statements, Continued

7. Lease and Other Payments:

Lease: The Organization leased office space under an operating lease. Office space was leased through June 2018 and required monthly rent and utility payments of \$2,761. The Organization entered into a new lease for office space under an operating lease in June 2018 through October 2022. Rental expense for office space was \$34,051 for 2018 and \$33,132 for 2017.

At June 30, 2018, the future minimum lease payments for the Organization were as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 31,976
2020	31,976
2021	31,976
2022	31,976
2023	<u>7,994</u>
	<u>\$ 135,898</u>

Other Payments: The Organization has contracted with a third party for database services through December 2018 and requires monthly payments of \$6,114. Database service lease expense was \$79,958 for 2018 and \$68,397 for 2017. Minimum future payments under this contractual agreement of \$36,685 are due in fiscal year 2019.

8. Defined Contribution Retirement Plan:

The Company sponsors a defined contribution retirement plan which covers all employees who meet eligibility requirements. The plan enables participants to make contributions, and the Company may make matching or discretionary contributions. The Company's contributions to the plan amounted to \$15,436 for 2018 and \$14,354 for 2017.

9. New Accounting Guidance:

On June 21, 2018, the FASB issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all entities that receive or make contributions. The new guidance clarifies the definition of an exchange transaction. As a result, not-for-profit entities will account for most federal grants as donor-restricted conditional contributions, rather than as exchange transactions. An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. The new standard is not effective for the Organization until the year ending June 30, 2020. The Organization is currently evaluating the impact that this pronouncement will have on its financial statements.

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Notes to Financial Statements, Continued

9. New Accounting Guidance, Continued:

In August 2016, FASB issued ASU No. 2016-14, "Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities", which both simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to the various stakeholders, including management, directors, lenders, and donors. Key changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets—net assets with donor restrictions and net assets without donor restrictions
- Changes the net asset classification of the underwater amounts of donor-restricted endowment funds to be shown as a component of net assets with donor restrictions and requires additional disclosures for underwater endowment funds
- Requires all not-for-profits to provide expenses by nature and function
- Requires expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources

The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Organization has elected not to early adopt this ASU and intends to adopt it prior to the required transition date.

Leases: In February 2016, the FASB issued a new accounting standard for leases that will impact both lessees and lessors. While still subject to interpretation, the FASB expects that, under the new standard, lessees will recognize lease assets and lease liabilities on the balance sheet for all leases that extend beyond a one year time period and that lessors will recognize the majority of leases as sales type or direct financing leases for any lease that relinquishes control of the leased asset to the lessee. The new standard is not effective for the Organization until the year ending June 30, 2021. The Organization is currently evaluating the impact that this pronouncement will have on its financial statements.