Financial Statements

June 30, 2017 and 2016

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HOMEWARD

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Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
of Homeward
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying statements of financial position of Homeward as of June 30, 2017 and 2016, 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.

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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, 2017 and 2016, 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.

Keiter

November 7, 2017
Glen Allen, Virginia

HOMEWARD

Statements of Financial Position
June 30, 2017 and 2016

Assets	2017	2016
Cash and cash equivalents	$ 201,195	$ 274,077
Contributions and grants receivable	526,193	83,838
Prepaid expenses	10,181	10,437
Other assets	925	925
Property and equipment, net of accumulated depreciation	7,042	5,434
Total assets	$ 745,536	$ 374,711

Liabilities and Net Assets	2017	2016
Liabilities:		
Accounts payable	$ 16,680	$ 16,975
Accrued expenses	1,156	2,318
Deferred revenue	286,158	-
Total liabilities	303,994	19,293
Net assets:		
Unrestricted net assets	168,042	86,802
Temporarily restricted net assets	273,500	268,616
Total net assets	441,542	355,418
Total liabilities and net assets	$ 745,536	$ 374,711

See accompanying notes to financial statements.

HOMEWARD

Statement of Activities
Year Ended June 30, 2017 with 2016 Comparative Totals

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
Revenues and other support:				
Contributions	$ 180,693	$ 74,500	$ 255,193	$ 225,337
Governmental grants	-	321,621	321,621	148,185
Non-governmental grants	172,816	152,300	325,116	172,651
United Way allocation	6,587	43,750	50,337	29,182
Community Information Systems	-	128,173	128,173	219,862
Conferences and training	93	7,651	7,744	6,220
Total revenues and other support	360,189	727,995	1,088,184	801,437
Net assets released from restrictions	723,111	(723,111)	-	-
Expenses:				
Program services	828,599	-	828,599	767,115
Management, general, and fundraising	173,461	-	173,461	125,341
Total expenses	1,002,060	-	1,002,060	892,456
Change in net assets	81,240	4,884	86,124	(91,019)
Net assets, beginning of year	86,802	268,616	355,418	446,437
Net assets, end of year	$ 168,042	$ 273,500	$ 441,542	$ 355,418

See accompanying notes to financial statements.

HOMEWARD

Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Contributions	$ 103,337	$ 122,000	$ 225,337
Governmental grants	4,300	143,885	148,185
Non-governmental grants	10,251	162,400	172,651
United Way allocation	9,082	20,100	29,182
Community Information Systems	-	219,862	219,862
Conferences and training	-	6,220	6,220
Total revenues and other support	126,970	674,467	801,437
Net assets released from restrictions	656,180	(656,180)	-
Expenses:			
Program services	767,115	-	767,115
Management, general, and fundraising	125,341	-	125,341
Total expenses	892,456	-	892,456
Change in net assets	(109,306)	18,287	(91,019)
Net assets, beginning of year	196,108	250,329	446,437
Net assets, end of year	$ 86,802	$ 268,616	$ 355,418

See accompanying notes to financial statements.

HOMEWARD

Statement of Functional Expenses
Year Ended June 30, 2017 with 2016 Comparative Totals

	Program	Management, General, and Fundraising	2017 Total	2016 Total
Salaries	$ 412,251	$ 75,528	$ 487,779	$ 465,068
Benefits	64,083	11,257	75,340	52,896
Payroll taxes	30,217	5,358	35,575	34,544
Professional fees	16,272	19,020	35,292	32,813
Supplies and postage	5,947	3,136	9,083	6,283
Occupancy	21,022	3,750	24,772	25,116
Community outreach	25,906	461	26,367	51,492
Travel and training	22,915	1,926	24,841	17,697
Depreciation	1,777	364	2,141	3,910
Sponsored conferences and meetings	79,181	8,407	87,588	61,525
Utilities	12,494	2,165	14,659	13,924
Technology	53,932	22,648	76,580	78,285
Donated services	562	16,654	17,216	3,251
Program reimbursement	71,833	1,100	72,933	34,012
Miscellaneous	10,207	1,687	11,894	11,640
Total expenses	$ 828,599	$ 173,461	$ 1,002,060	$ 892,456

See accompanying notes to financial statements.

HOMEWARD

Statement of Functional Expenses
Year Ended June 30, 2016

	Program	Management, General, and Fundraising	Total
Salaries	$ 393,970	$ 71,098	$ 465,068
Benefits	45,708	7,188	52,896
Payroll taxes	29,335	5,209	34,544
Professional fees	11,979	20,834	32,813
Supplies and postage	4,267	2,016	6,283
Occupancy	21,350	3,766	25,116
Community outreach	51,462	30	51,492
Travel and training	17,438	259	17,697
Depreciation	3,245	665	3,910
Sponsored conferences and meetings	61,465	60	61,525
Utilities	11,836	2,088	13,924
Technology	71,154	7,131	78,285
Donated services	-	3,251	3,251
Program reimbursement	34,012	-	34,012
Miscellaneous	9,894	1,746	11,640
Total expenses	$ 767,115	$ 125,341	$ 892,456

See accompanying notes to financial statements.

HOMEWARD

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 86,124	$ (91,019)
Depreciation	2,141	3,910
Adjustments to reconcile change in net assets to net cash from operating activities:		
Contributions and grants receivable	(442,355)	10,362
Prepaid expenses	256	(2,251)
Accounts payable	(295)	(9,343)
Accrued expenses	(1,162)	2,077
Deferred revenue	286,158	-
Net cash used in operating activities	(69,133)	(86,264)
Cash flows from investing activities:		
Purchase of property and equipment	(3,749)	(705)
Net cash used in investing activities	(3,749)	(705)
Net change in cash and cash equivalents	(72,882)	(86,969)
Cash and cash equivalents, beginning of year	274,077	361,046
Cash and cash equivalents, end of year	$ 201,195	$ 274,077

See accompanying 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, 2017 or 2016.

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

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 $75,000 as of June 30, 2017. There were no long-term promises to give as of June 30, 2016. Management determined that the amount of discount on the present value of long-term promises to give was immaterial at June 30, 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, 2017 and 2016, 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, 2017 or 2016.

Donated Services: During the years ended June 30, 2017 and 2016, the value of donated services was $16,666 and $3,251, respectively.

Fundraising Expense: The Organization had fundraising expense of $45,096 and $47,850 for fiscal years 2017 and 2016, which is included in Management, General, and Fundraising on the Statements of Functional Expenses.

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, 2017 and 2016, three grantors accounted for 87% and five grantors accounted for 85%, respectively, of total contributions and grants receivable.

Subsequent Events: Management has evaluated subsequent events for potential recognition and/or other disclosure through November 7, 2017, 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:

Net contributions receivable include unconditional promises to give of $157,007 and $51,388 as of June 30, 2017 and 2016, respectively. Grants receivable amounted to $369,186 and $32,450 as of June 30, 2017 and 2016, respectively. Net contributions and grants receivable include funds that are restricted for use for a specified purpose to particular programs that include broad community change efforts.

2. Contributions and Grants Receivable, Continued:

Anticipated collections of contributions and grants receivable at June 30:

	2017	2016
Contributions and grants to be collected:		
Less than one year	$ 451,193	$ 83,838
One to five years	75,000	-
	$ 526,193	$ 83,838

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

	2017	2016
Deferred revenue - grants	$ 286,158	$ -
Temporarily restricted net assets	240,035	268,616
	$ 526,193	$ 268,616

3. Property and Equipment:

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. Property and equipment at June 30, 2016 consisted of furniture, fixtures and equipment in the amount of $61,682 with accumulated depreciation of $56,248 for a net book value of $5,434. Depreciation expense was $2,141 and $3,910 for the years ended June 30, 2017 and 2016, respectively.

4. Temporarily Restricted Net Assets:

At June 30, 2017, temporarily restricted net assets are comprised of $240,035 in time restricted contributions and $33,465 in purpose restricted contributions. At June 30, 2016, temporarily restricted net assets are comprised of $83,838 in time restricted contributions and $184,778 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.

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.

7. Lease and Other Payments:

Lease: The Organization leases office space under an operating lease. Office space is leased through January 2018 and requires monthly rent and utility payments of $2,761. Rental expense for office space was $33,132 for 2017 and for 2016. Minimum future payments under this non-cancellable operating lease of $19,327 are due in fiscal year 2018.

Other Payments: The Organization has contracted with a third party for database services through December 2018 and requires monthly payments of $5,666. Database service lease expense was $68,397 for 2017 and $70,336 for 2016. Minimum future payments under this contractual agreement of $33,999 are due in fiscal year 2018.

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 $14,354 for 2017 and $11,329 for 2016.

9. New Accounting Guidance:

In August 2016, FASB issued Accounting Standards Update ("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.

9. New Accounting Guidance, Continued:

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 December 31, 2020. The Organization is currently evaluating the impact that this pronouncement will have on its financial statements.