

HEARTS WITH A MISSION

AUDIT REPORT

For the Year Ended

June 30, 2021

RICHARD W. BREWSTER, CPA, PC

CERTIFIED PUBLIC ACCOUNTANT
MEDFORD

HEARTS WITH A MISSION
For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

RICHARD W. BREWSTER, CPA, PC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hearts with a Mission
Medford, Oregon 97501

I have audited the accompanying financial statements of Hearts with a Mission, (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am required to be independent of Hearts with a Mission and to meet other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hearts with a Mission's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.


Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hearts with a Mission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hearts with a Mission's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.


Richard W. Brewster
Certified Public Accountant
September 7, 2021

FINANCIAL STATEMENT

HEARTS WITH A MISSION
Statement of Financial Position
June 30, 2021

	2021
ASSETS	
Current assets	
Cash and cash equivalents	\$ 901,584
Cash and cash equivalents temporarily restricted	471,041
Prepaid expense	1,319
Governmental contracts receivable	152,561
Total current assets	1,526,505
Land, buildings, and equipment	2,103,046
Less accumulated depreciation	(349,976)
Net buildings and equipment	1,753,070
Other assets	
City Life, LLC - partnership	377,417
Total other assets	377,417
TOTAL ASSETS	\$ 3,656,992
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 20,293
Accrued payroll	58,254
Vacation payable	49,699
Deferred revenue	471,041
Current portion of long-term debt	46,079
Total current liabilities	645,366
Long-term debt	649,868
TOTAL LIABILITIES	1,295,234
NET ASSETS	
Without donor restrictions	2,361,758
With donor restrictions	-
TOTAL NET ASSETS	2,361,758
TOTAL LIABILITIES AND NET ASSETS	\$ 3,656,992

See notes to financial statements.

HEARTS WITH A MISSION
Statement of Activities
For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
REVENUES AND SUPPORT			
Direct public support			
Fundraising events	\$ 116,656	\$ -	\$ 116,656
Individual contributions	417,563		417,563
Business contributions	84,736		84,736
Grants		259,303	259,303
Government contracts	1,882,693		1,882,693
In-kind contributions	25,673		25,673
Interest income	762		762
Miscellaneous	107		107
Gain on sale of assets	10,000		10,000
SBA PPP loan	305,500		305,500
Service revenue and reimbursements	70,826		70,826
Other support			
Net assets released from restrictions			
Satisfaction of program restrictions	<u>259,303</u>	<u>(259,303)</u>	<u>-</u>
 Total direct public support	 <u>3,173,819</u>	 <u>-</u>	 <u>3,173,819</u>
 Total revenue and support	 <u>3,173,819</u>	 <u>-</u>	 <u>3,173,819</u>
 EXPENSES			
Program expense	2,083,249		2,083,249
Administrative expenses	280,144		280,144
Fundraising expenses	<u>119,607</u>		<u>119,607</u>
 TOTAL EXPENSES	 <u>2,483,000</u>	 <u>-</u>	 <u>2,483,000</u>
 CHANGE IN NET ASSETS	 690,819	 -	 690,819
 NET ASSETS BEGINNING OF YEAR	 <u>1,670,939</u>	 <u>-</u>	 <u>1,670,939</u>
 NET ASSETS END OF YEAR	 <u>\$ 2,361,758</u>	 <u>\$ -</u>	 <u>\$ 2,361,758</u>

See notes to the financial statements.

HEARTS WITH A MISSION
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Jackson County Youth Program	Josephine County Youth Program	Lincoln County Youth Program
Salaries	\$ 831,941	\$ 429,884	\$ 65,496
Payroll taxes	65,126	33,123	6,517
Employee benefits	78,668	40,650	7,828
Other payroll related expenses	38,326	19,804	5,602
Total payroll and payroll taxes	<u>1,014,061</u>	<u>523,461</u>	<u>85,443</u>
Professional fees	6,020	6,020	180
Bank charges	2,474	233	45
Outside services	38,684	71,080	1,504
Advertising	8,574	7,224	4,412
Office	3,995	1,912	1,442
Records management	9,164	9,209	
Background checks	2,375	4,425	
Occupancy	39,960	13,128	1,325
Utilities	13,114	10,637	
Training, travel, meetings	1,656	223	
Insurance	14,570	13,361	22
Fundraising events	11,176	1,086	859
Youth related expenses	28,666	9,794	3,401
Janitorial	7,289	8,004	
Miscellaneous	82	135	
Postage	266	83	204
Copier service fees	2,139	1,162	
License and fees	3,034	2,850	640
Interest expense	14,233	3,448	
Depreciation	37,382	37,383	
Total functional expenses	<u>\$ 1,258,914</u>	<u>\$ 724,858</u>	<u>\$ 99,477</u>
Percentage of total	<u>50.7%</u>	<u>29.2%</u>	<u>4.0%</u>

See notes to the financial statements.

Total Program Expenses	Administrative Expenses	Fundraising Expenses	2021 Total
\$ 1,327,321	\$ 222,468	\$ 96,475	\$ 1,646,264
104,766	17,707	8,566	131,039
127,146	19,405	9,130	155,681
63,732	10,248	4,445	78,425
<u>1,622,965</u>	<u>269,828</u>	<u>118,616</u>	<u>2,011,409</u>
12,220			12,220
2,752	1,871		4,623
111,268	2,100		113,368
20,210	1,022		21,232
7,349	441	171	7,961
18,373			18,373
6,800	700		7,500
54,413	978		55,391
23,751	1,640	820	26,211
1,879	10		1,889
27,953	68		28,021
13,121	424		13,545
41,861			41,861
15,293			15,293
217	471		688
553	192		745
3,301	174		3,475
6,524	225		6,749
17,681			17,681
74,765			74,765
<u>\$ 2,083,249</u>	<u>\$ 280,144</u>	<u>\$ 119,607</u>	<u>\$ 2,483,000</u>
<u>83.9%</u>	<u>11.3%</u>	<u>4.8%</u>	<u>100.0%</u>

HEARTS WITH A MISSION
Statement of Cash Flows
For the Year Ended June 30, 2021

	2021
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 690,819
Adjustments to reconcile change in net assets to net cash from operating activities	
Noncash donated meals and services	4,119
Noncash operating expense	(4,119)
Depreciation	74,765
(Increase) decrease in receivables	(15,860)
(Increase) decrease in prepaid expense	(1,019)
Increase (decrease) in accounts payable - trade	(2,217)
Increase (decrease) in accrued expenses	(19,456)
Increase (decrease) in deferred revenue	364,541
Total adjustments	400,754
Net Cash Provided (Used) By Operating Activities	1,091,573
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of improvements and equipment	(69,033)
City Life, LLC - partnership	9,411
Net Cash Provided (Used) By Investing Activities	(59,622)
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase (decrease) in Cares Act PPP loan	(305,500)
Payments on long-term debt	(46,250)
Net Cash Provided (Used) By Investing Activities	(351,750)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	680,201
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	
BEGINNING OF YEAR	692,424
END OF YEAR	\$ 1,372,625
Supplemental Disclosures	
Interest paid	\$ 17,681
Non-cash transactions includes vehicle (in-kind contributions)	\$ 25,673

See notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

HEARTS WITH A MISSION
Notes to Financial Statements (continued)
For the Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE OF THE ORGANIZATION

Hearts with a Mission (the Organization) is a not-for-profit organization, established under the laws of the State of Oregon to serve homeless and at-risk youth in Jackson and Josephine Counties in Oregon by providing temporary emergency shelter, transitional housing, furthering education, mentoring and transition planning through a faith-based approach. The Organization currently has three locations with 32 beds available for use nightly. In addition, the Organization offers Host homes as an implementer of Safe Families for Children in Jackson, Josephine and Lincoln Counties. They are also in a contract with the state to provide skills training for up to 58 Foster care youth in Jackson and Josephine counties under the Child Welfare Independent Living Program. The Organization served 322 youth during the fiscal year ending June 30, 2021.

This summary of significant programs and accounting policies of Hearts with a Mission is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity.

Emergency Youth Shelter – providing an emergency shelter for up to 72 hours for ages 10-17. The shelter can be extended for or up to 120 days with parental or guardian consent. The shelters are open and staffed by trained Life Coaches and a Case Management team 365 days a year, 24/7 – walk-ins and calls are accepted at all hours.

Transitional Living Program – this program focuses on the four core outcomes to end homelessness: stable housing, permanent connections, social/emotional wellbeing, and education/employment.

Safe Families for Children – helping families in crisis get back on their feet and keep their families intact. Safe Families for Children surrounds families in crisis with caring, compassionate communities.

Independent Living Program – providing youth and young adults ages 16-23 from Josephine and Jackson counties in Oregon, who have been in foster care help transitioning into adulthood by building relationships with the youth while teaching essential life skills that prepare the youth to live on their own, with their own community support.

BASIS OF ACCOUNTING AND PRESENTATION

The financial statements of Heart with a Mission have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organizations management and board of directors.

HEARTS WITH A MISSION
Notes to Financial Statements (continued)
For the Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of operations – the statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organizations ongoing programmatic mission. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature, if any.

CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Organization cash consists of cash on deposit with banks and credit unions. All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

BUILDINGS AND EQUIPMENT

The Organization capitalizes all expenditures for buildings and equipment if they are considered to benefit future periods. Purchased buildings and equipment are carried at cost. Donated buildings and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2021, totaled \$20,633.

REVENUE RECOGNITION

The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transaction revenue in its statement of activities and changes in net assets for the year ending June 30, 2021.

HEARTS WITH A MISSION
Notes to Financial Statements (continued)
For the Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (Continued)

Government contracts – The Organization provides services to teens based on local and state contracts. The performance obligation is met when services are rendered. Revenues for these services are recorded and considered earned when billed after completion of the services. Contracts with the state and local government do not require an allowance for doubtful accounts based on payment history.

Fundraising events - The Organization conducts special events in which a portion of the proceeds received by participants represents a direct cost of the benefits received by the participant. The exchange component and portion represent a contribution. The fair value of meals and entertainment provided at special events is measured at actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events ultimately benefit the donor not the Organization. The performance obligation is met upon completion of the event.

Other Revenue – consists primarily of rent revenue and miscellaneous reimbursements. These revenues are recognized on a monthly basis as earned.

CONTRIBUTIONS

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are in place.

Noncash donations are recorded as contributions at their fair market value at their date of donation. Donated services that do not require specialized skill or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of their time to the Organization's program services and fundraising events, the value of which is not recorded in the accompanying financial statements.

HEARTS WITH A MISSION
Notes to Financial Statements (continued)
For the Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COMPENSATED ABSENCES

Accumulated vested vacation pay is accrued as it is earned. The Organization provides its full-time employees with vacation pay based on their years of service. Vacation earned by employees is one to three weeks, with ability to carryover a maximum of 240 hours.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INCOME TAXES

The Organization is a Not-For-Profit Organization that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170 (b)(1)(A)(iii). The Organization is subject to tax on income unrelated to its exempt purpose. The Organization has no unrelated business income and accordingly has not made provision for income taxes in these financial statements.

2. LIQUIDITY AND AVAILABILITY OF FUNDS

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 1,372,625
Receivables	152,561
Total financial assets available to meet expenditures within the next 12 months	<u>\$ 1,525,186</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and other obligations come due. In addition, it has borrowing mechanisms in place such as a line of credit with Banner Bank for \$100,000 and credit cards to meet unexpected obligations.

HEARTS WITH A MISSION
Notes to Financial Statements (continued)
For the Year Ended June 30, 2021

3. BUILDINGS AND EQUIPMENT

The following is a summary of land, buildings, and equipment stated at cost less accumulated depreciation. Renewals and betterments are charged to the asset accounts, while maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed in the current period. Depreciation of property and equipment is provided on the straight-line basis over the assets estimated useful life as follows: furnishings, equipment, and vehicles – 5 to 15 years, buildings – 40 years.

	<u>2021</u>
Land	\$ 269,000
Buildings and improvements	1,581,013
Furnishings and equipment	142,341
Vehicles	<u>110,692</u>
Total land, buildings, and equipment	2,103,046
Less accumulated depreciation	<u>(349,976)</u>
Net land, buildings, and equipment	<u><u>\$ 1,753,070</u></u>

Depreciation expense for the year ended June 30, 2021, was \$74,765.

4. FAIR VALUE MEASUREMENTS

The Organization has adopted ASC 820-10 which establishes a framework for measuring fair value and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e., an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

HEARTS WITH A MISSION
Notes to Financial Statements (continued)
For the Year Ended June 30, 2021

4. FAIR VALUE MEASUREMENTS (Continued)

The Organization's one partnership and investment property is based upon its own market assumptions and is therefore considered Level 3 as of June 30, 2021.

The following table sets forth, by level within the fair value hierarchy, the Organization's investments measured at fair value as follows:

Description	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
City Life, LLC - partnership	\$ -	\$ -	\$ 377,417	\$ 377,417
Total investments at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 377,417</u>	<u>\$ 377,417</u>

5. LONG-TERM DEBT

Long-term liabilities of the Organization consist of the following:

	<u>2021</u>
Mortgage with Rogue Credit Union. Note is a 10 year mortgage with monthly payments of \$2,027 for 59 months at 3.5% interest. Then the interest rate changes to 6.625%, requiring an additional 60 months payments . This note has a scheduled balloon payment of \$283,146 due on November 10, 2029. Real property is pledged as collateral.	\$ 381,734
Mortgage with First Community Credit Union. Note is a fixed 15 year mortgage with annual payments of \$37,866.58. These payments include interest at 1%. This note is set to mature on March 10, 2031. Real property is pledged as collateral.	<u>314,213</u>
Total	695,947
Less current portion	<u>(46,079)</u>
Total long-term debt	<u>\$ 649,868</u>

Maturities of long-term debt as of June 30, 2021, are as follows:

June 30, 2022	\$ 46,079
June 30, 2023	46,826
June 30, 2024	47,591
June 30, 2025	48,374
June 30, 2026	49,176
June 30, 2027 - 2031	<u>457,901</u>
Total	<u>\$ 695,947</u>

HEARTS WITH A MISSION
Notes to Financial Statements (continued)
For the Year Ended June 30, 2021

6. CONCENTRATION OF RISK

At times, the Organization's balances in cash accounts may be in excess of FDIC insurance limits. The total bank balance at June 30, 2021 in excess of the FDIC insurance limit was \$309,072. The Organization utilizes four different financial institutions to limit the amount of funds in excess of the FDIC insurance limit throughout the fiscal year.

7. GRANTS

The Organization received the following grants for operating expenses during the year ended June 30, 2021:

Allcare Health	\$ 20,000
Carrico Family Foundation	40,000
Reed & Carolee walker Fund	26,000
Arthur Dubs Foundation	15,000
United Way	21,303
Sprit Mountain Community Foundation	25,000
Youth 71 Five	40,000
Miscellaneous grants	<u>72,000</u>
Total	<u><u>\$ 259,303</u></u>

8. DEFERRED REVENUE

The Organization received multiple grants and an advance payment from Department of Human Services Workforce Investment program in advance that was included in deferred revenues as of fiscal year-end. These amounts will be earned by the Organization in the fiscal year ending June 30, 2022.

9. NON-CASH DONATIONS

The Organization received non-cash donations of fixed assets and materials during the year. Some of the items included a vehicle, furniture, flooring, and meals for the youth who reside at the facility. The meals provided are simply valued at \$50 per meal on the financial statements. Total noncash donations received were valued at \$25,673 during the fiscal year ended June 30, 2021.

10. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of running the shelter and supporting services have been summarized on a functional basis in the Statement of Functional Expense. Most expenses can be directly attributed to the program or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Accordingly, these costs have been allocated on a basis that is consistently applied among the shelter, administrative and fundraising categories. The expenses in this category include occupancy, outside services, advertising, insurance, and salaries and benefits. Joint cost allocations are based upon payroll time studies completed every three years.

HEARTS WITH A MISSION
Notes to Financial Statements (continued)
For the Year Ended June 30, 2021

11. RETIREMENT PLAN

The Organization offered a 401(k) Retirement plan for all eligible employees, beginning July 1, 2020. To participate in the Plan, an employee must be at least 21 years of age and have completed one year of service with the Organization, in which the employee worked at least 1,000 hours. For the participating employees, the Organization made matching contributions equal to 100% of what the employee contributed, up to 3% of the employee's gross wages. Matching contributions for the Organization for the fiscal year ending June 30, 2021, were \$21,788.

12. COMMITMENTS

The Organization entered into a marketing agreement with First Community Credit Union on March 7, 2017. This agreement provides the Organization with marketing revenue of \$40,000 per year. The agreement was made in conjunction with the purchase of the Grants Pass, Oregon property. These payments were designed to cover the annual debt payments on the bank mortgage. The initial agreement is for five years ending March 7, 2021. This agreement was not renewed.

13. CONTINGENT LIABILITY

The Organization elected to reimburse the Oregon State Employment Department for unemployment claims in lieu of paying state unemployment taxes. As outlined in ORS 657.505, a non-profit employer that elects the reimbursing method must reimburse the State Employment Fund an amount equivalent to 100% of regular and additional benefits and 50% of extended benefits paid a claimant. Unemployment claims paid during 2021 totaled \$25,095. The amount or range of the possible future claims cannot be estimated. The Organization is a participant in the 501 (c) 3 Agencies Trust, which maintains balances in trust for its participants and contracts for claims administration services and stop loss insurance for the trust in aggregate and for its participants. The 501 (c) 3 Agencies Trust balance on June 30, 2021, was \$12,593.

14. CONTRACTS AND CONTINGENCIES

The Organization entered into a sub-grantee agreement with ACCESS, a private nonprofit corporation to provide services in accordance with the State Homeless Assistance. The remaining amount reported under government contracts is from DHS, UCAN, City of Medford, City of Grants Pass, Department of Education, and other agencies.

15. RELATED PARTY TRANSACTIONS

The Organization formed a jointly owned LLC known as City Life, LLC with Youth 71Five Ministries. City Life, LLC constructed a building on the adjacent property for both organizations to utilize. Youth 71Five Ministries will own 64% interest and HWAM will own 36% interest. The Organization retained the mortgage for the land after the property was contributed to City Life, LLC.

HEARTS WITH A MISSION
Notes to Financial Statements (continued)
For the Year Ended June 30, 2021

15. SUBSEQUENT EVENTS

The Organization purchased a property adjacent to its current operations in Medford, Oregon on July 15, 2021. The purchase price was for \$174,000.

The Organization was awarded an Emergency Solutions Grants Program – Cares Act Funding that allowed it to be reimbursed for expenses already spent. Based on this grant, the Organization submitted for reimbursement for \$204,856 of qualifying expenditures after fiscal year end. The actual amount received in August 2021, was \$204,176. The Organization is in the process of submitting for an additional \$280,018 of reimbursements.

During 2020, the World Health Organization declared the outbreak of the coronavirus (Covid-19) as a world pandemic which continues to spread throughout the United States. As a result of Covid-19, the Organization's operations, and number of visitors at their facility is expected to be reduced based on local imposed restrictions which can have a negative impact on financial resources. The Organization has evaluated subsequent events through September 7, 2021, which is the date of the Audit Report. The report was available to be issued on September 14, 2021.